

## Chapter 20 Accounts Payable

### Section I Introduction

#### 20-1. General

This chapter prescribes policies and procedures to pay accounts payable. It applies to all accounts payable payments made by a U.S. Army finance and accounting office (FAO), a defense accounting office (DAO) and by an outside certifying official.

a. Accounts payable are amounts owed (liabilities) by the Department of Defense (DoD).

b. Accounts payable result from:

(1) Goods and other property ordered and received.

(2) Services performed by employees, contractors, grantees, and lessors.

(3) Amounts owed at the end of the accounting period for services performed by payees (such as annuities, insurance premiums, other benefit payments, and some cash grants).

#### 20-2. Professional requirements

To ensure accounts payable personnel pay according to proper procedures are followed per U.S. Statutes (U.S.C.), which direct how U.S. Government agencies pay vendors and contractors, account payable personnel will:

a. Record the liability for goods and services purchased per a long-term contract in the period in which the goods or services (or a portion thereof) are received or accepted. Record the related asset (inventory, materials and supplies, or work in process) or expense, as appropriate, when recording the liability.

b. Record amounts due for annuities, claims, and benefit payments at the end of the period based on available information, if the payment is probable and the amount estimable.

c. Know statutory and regulatory requirements for making payments to business concerns outside the U.S. Government.

d. Know contracting procedures to determine if procurement documents are in accordance with statutory requirements on making payments. This requires a working knowledge of the Federal Acquisition Regulation (FAR), the Department of Defense FAR Supplement (DFARS), and the Army Federal Acquisition Regulation Supplement (AFAR). Accounts payable office will maintain both of these documents in the work center.

#### 20-3. Responsibilities

a. The Director, Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN) will establish procedures for making Department of the Army (DA) commercial payments.

b. Finance and accounting officers/defense accounting officers will:

(1) Implement procedures to make commercial payments on the correct payment due date.

(2) Disburse public funds only when the payment is correct, proper, and legal, and only when proper documents or information support the disbursement.

(3) Establish review/audit procedures to ensure that the provisions of this chapter are implemented.

c. Contracting officers are responsible for awarding and administering all procurement documents. They cannot award a procurement document until they have written confirmation that funds are available. This confirmation must be from an appointed funds control official. Contracting officers will:

(1) Ensure that all procurement documents show the complete official address of the FAO/DAO making the payments. Normally, the FAO/DAO designated to make payment is the one whose fiscal station number (FSN) is shown in the fund citation/accounting classification. When multiple fund citations with different FSNs are on a single procurement document, the contracting officer must designate the FAO/DAO having the largest amount of dollars on the procurement document. Contracting officers can appoint more than one paying office on a procurement document only when the appointed paying offices pay specific line items or delivery orders against basic contracts.

(2) Insert in procurement documents the correct payment clauses from the FAR and/or the DFARS.

(3) Ensure that two copies of all procurement documents and modifications are sent to the FAO/DAO designated to make payment (FAR 2.1). Electronic transmission of procurement documents is the preferred way to send documents to the accounts payable office. Submit transmission within two days of the award date. If actual hard copy documents are used, submit to the paying office within five working days of the award date.

d. Fund certifying officials outside the FAO/DAO, appointed per Chapter 40 of this regulation will follow all requirements outlined in this chapter. Specific details on appointment, duties, and training of outside certifying officials are in Appendix F and Chapter 40 of this regulation.

e. Property, supply, and using activity personnel will provide supporting documents or electronic information on receipt and acceptance of goods or services to vendor pay offices within five working days of delivery or completion of performance of services. Electronic transmission of receiving and acceptance reports is the preferred method of sending them to the vendor pay office.

f. The installation, activity, or agency commander will establish procedures necessary to ensure that vendor pay offices can make payments on the correct payment due date. This includes ensuring that electronic information or supporting documents reach vendor pay offices on time. Finance and accounting officers/defense accounting officers will notify commanders when organizations are causing late

payments and request command support to correct any difficulties causing late payments. Finance and accounting officers/defense accounting officers will prepare a periodic report to the commander, usually at least once each quarter.

#### **20-4. Organization and function of the vendor pay office**

*a. Organization.* There is no fixed or prescribed organizational structure for the vendor pay office. The structure is as a branch entity under the accounting division.

(1) Finance and accounting officers/defense accounting officers will determine what structure is most effective and efficient for their organization. Factors to consider when organizing this function are:

(a) The volume and types of transactions processed.

(b) The type and kind(s) of automation available and the system interfaces with other organizations both within and outside the FAO/DAO.

(c) The number and grade of available, qualified personnel.

(2) Regardless of the structure, the vendor pay office will have a centralized control area to control and date documents. This task is essential to the successful implementation of the Prompt Payment Act (PPA). A control area is also necessary to schedule payments so vouchers are sent to the disbursing office to be paid on the correct payment due date.

(3) Even though a central control area is necessary, the best division of labor within the office is assigning specific duties to specific technicians. One method of doing this is to assign one type contract to one technician (for example, construction contracts, utility payments, tuition/training payments, and so forth). Another, is to divide work alphabetically by the first letter of vendor names (for example, letters A, B, and C to one technician, letters D, E, F to another, and so forth.)

(a) The advantages of these types of work division are:

1. Technicians become very knowledgeable about their type payments.

2. Technicians have more job satisfaction and pride in handling "their" payments.

3. Simple transactions (one delivery/one payment) can be assigned to the newest technicians as part of their training.

4. Accountability is easier to determine.

5. Ease of routing vendor's information queries to the responsible technician.

(b) Disadvantages of these types of work division are--

1. Determining who performs another technician's work when the assigned technician is away for the duty site.

2. The chance for fraud increases because only one technician is handling specific payments. (Note: If this organization is used, technicians must be rotated at specific intervals to reduce fraud potential and to train all technicians on multiple types of payments.)

3. If a technician is inefficient, one type of payment will suffer.

*b. Functions.* Vendor pay personnel will prepare, audit and process all payment vouchers for goods and non-personal services purchased for DoD activities. This functional responsibility includes but is not limited to:

(1) Receiving and controlling documents, such as procurement documents, invoices, and receiving reports, and reviewing these documents to ensure the information is correct and complete. In organizations that have electronic interfaces with other organizations, vendor pay personnel may receive actual documents but will review the automated information. However, the underlying principle for reviewing documents is the same.

(2) Determining whether a payee is entitled to a payment under U.S. laws and regulations.

(3) Determining whether the accounting or appropriation data is correct for payment. If errors are detected, initiate the necessary action to correct the error.

(4) Computing the correct payment due date.

(5) Computing the correct amount due the payee; assessing the cost-effectiveness of offered discounts and computing the amount to be deducted; and computing any interest penalties due and charging the PPA interest to the correct appropriation.

(6) Preparing and submitting payment vouchers to the disbursing office (DO) in time to ensure that a check is issued or an electronic funds transfer (EFT) transaction is made on the correct payment due date.

(7) Maintaining an automated payment history file or manual bills register of payments made to vendors.

(8) Developing and maintaining data required for the PPA report (see Chapter 29.)

(9) Performing all records management functions for open, inactive, and closed files. As automated systems replace hard copy documents and information is passed from system to system, automated version of supporting documents will be used. (NOTE: Maintain automated history files or manual bills registers for six years and three month after final payment.)

(10) Making stoppages and offsets against contractors indebted to the U.S. Government.

(11) Handling assignment of claims and bankruptcy cases, including ensuring that legal directives are followed and payments are made to the correct person/organization.

(12) Making payments directed by legally authorized entities who have adjudicated a claim against the U.S. Government and determined that payment is due a claimant.

(13) Determining and paying all taxes due on commercial payments and maintaining records of payments made to specific categories of vendors.

(14) Responding to vendor queries or complaints about payments. Also, responding to queries from White House, U.S. Senate and U.S. Congressional officials.

#### **20-5. Interest penalty chargeback**

If late receipt of supporting documents (procurement documents or modifications and receiving and acceptance reports) cause an interest payment per the PPA, charge the interest amount to the funds of the organization which caused the late payment. Supporting documents are "late" if they reach the vendor pay office after close of business on the day that is one-half the payment period (for example, 15 days on a 30-day payment, eight days on a 15-day payment, five days on a 10-day payment, and so forth). Vendor pay personnel will obtain accounting classifications from each organization for whom they make payment and use that accounting classification for chargeback purposes. If interest payment is caused by the paying office, the paying office funds will be used to pay the interest.

#### **20-6. Contracting, funding, and FAO/DAO functions**

a. It is a contracting officer function to procure supplies and services. It is a program manager/budget/FAO/DAO function to commit/obligate funds for these purchases. The paying office is responsible for disbursing funds for these purchases. Information on funds control are in other sections of this regulation. This paragraph is included in this chapter only to show the relationship between the FAO/DAO and contracting officers. Should the provisions given here vary from procurement regulations (FAR, AFAR and DFARS), the procurement regulations will govern.

b. The duties outlined in paragraph a, above, will remain separate. The person/organization who places an order for goods or services cannot be the person/organization who receives the goods or services. Both of these functions (ordering and receiving) will be separate from the accounting functions of processing the payment, disbursing funds, and recording the transaction.

#### **20-7. Summary of purchasing and paying actions**

The following steps are taken from the time a purchase is initiated until payment of the invoice:

a. An activity usually initiates a purchase by preparing a Purchase Request and Commitment (DA Form 3953) or by sending a memorandum to an activity that pre-pares the purchase request. The purchase request is then submitted to the fund control activity to certify fund availability and commit funds for the purchase. Then the document is sent to contracting or supply personnel to requisition the

foods or services. If the contracting office uses hard copy procurement documents, it will return a copy to the ordering activity, and two copies are sent to the FAO/DAO designated to make payment. Vendor pay personnel will use one copy to support the disbursement. Accounting personnel will use the other copy to establish the official obligation for the purchase. Disbursing personnel make the payment by issuing a check or making an EFT. As automated systems are implemented, much of this requesting/purchasing information will flow electronically from system to system eliminating the need to forward actual paper copies.

b. After the supplies are delivered or the non-personal services are performed per the procurement document, the authorized U.S. Government representative prepares a receiving report or certificate of conformance and forwards it to the paying FAO/DAO. Again, this may be done via an automated system rather than by a hard copy paper. Electronic transmission is the preferred method for indicating delivery and acceptance.

c. The vendor's request for payment (invoice) must be "proper" (see Glossary) and must be sent to the designated billing office. The designated billing office is the office designated in the contract to first received the invoice.

d. Vendor pay personnel will examine all supporting information or documents to ensure they are complete, correct, legal, and proper. They will prepare the payment voucher. The person who has certifying authority certifies the voucher and sends it to the disbursing office. Disbursing personnel will issue the EFT payment or check on the correct due date. The disbursing office will mail the check on the same day it is issued. The disbursing office will return one copy of the paid voucher to the vendor pay office. Vendor pay personnel will enter payment information (check number, issue date, and the voucher number) into the bills register or automated payment file.

e. After payment, disbursing personnel will send the following documents to the accounting office:

- (1) One copy of the paid voucher.
- (2) One copy of the receiving and acceptance report.
- (3) One copy of the invoice.
- (4) On final payments, one copy of the procurement/authorizing document.

f. All relative documents become the official records of the paying office retained accounts. In completely automated offices, these retained "documents" may be a payment history file in a computer or stored on computer disks. A copy of the procurement document and a copy of the receiving report become the official disbursing officer's accountability records.

## **Section II Procurement**

### **20-8. Overview of contracting functions**

a. An official procurement document is necessary to support the purchase transaction. A wide selection of procurement documents are available to contracting officers providing them with the flexibility to buy supplies and services to support their activity's mission. Contracting officers are responsible for procurement documents being correct and legal; however, vendor pay personnel must be familiar with procurement regulations to ensure information is correct. This is particularly true if the payment terms in a procurement document differ from payment rules under PPA. (Note: Any meetings or telephone conversations with contracting personnel on these subjects will be documented. Preferably on the payment history file or bills register card.)

b. The contracting officer, who executes a procurement document or modifies it, will make appropriate distribution of the document copies (FAR 4.2 and DFARS 4.202). (See DFARS 4.70 for document numbering specifications.) The procuring contracting officer keeps all original procurement documents in the official contract file. However, if hard copy documents are being used, they must furnish two signed copies to the FAO/DAO. A signed copy becomes the obligating document and must include the date of execution, names and titles of those who sign it. Vendor pay personnel must prominently mark "DUPLICATE ORIGINAL" on one of the two hard copy copies. This action is not necessary for procurement documents sent electronically. Vendor pay personnel will use the copy marked ("DUPLICATE ORIGINAL") to support the disbursement. Accounting personnel will use the unmarked copy for the obligation document. The procurement document may be sent from the contracting office to the FAO/DAO electronically if automated capability is available; therefore, no hard copy version is necessary. In this case, there will not be a signed copy of the procurement document in either the vendor pay or accounting files. Contracting officers will use "electronic signatures" or passwords to authenticate the transmission as prescribed by the automated system.

### **20-9. Contract numbers**

a. Contracting officers assign procurement document numbers as directed in DFARS 4.70. The numbering system is the uniform procurement instrument identification (PII). Vendor pay personnel must become familiar with this system, because procurement documents are numbered according to procurements type. There are different payment terms for each category of procurement.

b. Major elements of the number are separated by hyphens; for example, DABT15-91-F-0001. The meaning of these elements are -

(1) DA identifies the Department of the Army.

(2) DABT15 identifies the contracting office which issued the procurement document. A list of all DoD contracting offices and their codes is in DFARS, Appendix N.

(3) The numeral "91" identifies the fiscal year in which the procurement document was issued.

(4) The ninth position is a capital letter that identifies the type of procurement document:

(a) A-Blanket Purchase Agreement (BPA).

(b) B-Invitation to bid.

(c) C-Contracts, excluding indefinite delivery type contracts.

(d) D-Indefinite delivery type contracts.

(e) E-Facilities contract.

(f) F-Delivery orders placed with or through other U.S. Government departments or agencies.

(g) G-Basic ordering agreements (BOA).

(h) H-Agreements other than BOA.

(i) L-Lease agreement.

(j) M-Purchase order-manual.

(k) N-Notice of intent to purchase,

(l) Q-Request for quotation (RFQ)-manual.

(m) S-Sales contract.

(n) T-RFQ-automated.

(5) The 10th through 13th positions are the serial numbers of the procurement document. A separate set of numbers is used for each type of document. Each series of PII numbers at each activity starts with the number 0001 at the beginning of each fiscal year (FY). Use alpha-numeric serial numbers when more than 9999 numbers are used. (For example, A001 through A999, B001 through B999, and so forth. If more than Z001 through Z999 are required, AA01 through AA99, BB01 through BB99, and so forth, are used.) Do not use the letters "I" and "O."

(6) Delivery orders under indefinite delivery type contracts (orders), orders under BOAs (orders), and calls under BPAs (calls) have a four-position alpha/numeric number that are supplementary to the 13-position basic PII number.

### **20-10. Contract modifications**

a. After the initial procurement document is issued, it may be necessary to modify it for changes in quantities, prices, extension of performance periods, liquidated damages, appropriation data, delivery points, a change in the paying office, or other matters. SF 30 (Amendment of Solicitation/Modification of Contract) is used for modifications; either the hard copy form or an electronic transmission. Contracting officers retain the original of all modifications but, as with the initial procurement document, must provide two copies of each modification or change to the paying FAO/DAO. Vendor pay personnel must mark one copy of the modification "DUPLICATE ORIGINAL"; the marked copy is used to support the disbursement. Accounting personnel will use the unmarked copy to adjust the original obligation. Again, electronic

transmissions of modifications or changes are preferred if automated systems are available. Contracting officer's electronic signature or password will authenticate the modification. Since modifications or changes to procurement documents affect when, how much, or what can be paid, contracting offices will forward these to the paying FAO/DAO as soon as possible, usually within five working days after they are issued.

b. Modifications are expensive to prepare in non-automated contracting offices. As an alternative to preparing a modification, vendor pay personnel may accept a fill-in-the-blank memorandum from the contracting office to increase funds on a contract. The increase cannot exceed 10% of the total contract cost or \$100, whichever amount is "smaller." This memorandum will contain the following:

- (1) A prominently displayed stamped or written notation that shows "MODIFICATION".
- (2) The number of the contract modified.
- (3) The dollar amount of the increase, either per line item or for the entire contract.
- (4) The accounting classification for the increased amount.
- (5) The signature of the funds control officer, certifying funds are available for the increased amount.
- (6) A modification number.
- (7) The contracting officer's signature and the effective date of the modification.

c. The contracting officer may initiate a contracting action properly chargeable to funds of the new fiscal year before funds are available. This authority may be used only for operation and maintenance and continuing services {for example, rental, utilities, and supply items not financed by Defense Business Operating Funds (DBOF) revolving funds} necessary for normal operations and for which the U.S. Congress previously had consistently appropriated funds, unless specific statutory authority exists permitting applicability is other requirements.

(1) The U.S. Government will not accept supplies or services under a contract conditioned upon the availability of funds until the contracting officer has given the contractor notice that funds are available. The notice will be provided in writing.

(2) The paying office cannot make payment on a procurement document subject to the availability of funds until they have received written confirmation that funds are available and goods have been delivered or services performed. Payment is due 30 days after the contract is modified to include the availability of funds, if delivery or performance has occurred.

#### **20-11. Small purchases**

The FAR and DFARS allow simplified procurement procedures for small purchases. Small purchases are those whose total dollar value is \$25,000 or less. Contracting officers have many different types of

small purchase procedures to buy different supplies or services.

#### **20-12. DD Form 1155 (Order for Supplies or Services/Request for Quotations)**

DD Form 1155 is used for small purchases. Either the pre-printed form or a computer-generated form is used. Automated contracting offices with interfaces into the computerized accounts payable system (CAPS) may send the information electronically. DD Form 1155 is used as a purchase or delivery order, a blanket purchase agreement, receiving and acceptance report, and a property voucher. In non-automated payment offices, it is a payment voucher. When it is used as a purchase order, the amount cannot exceed \$25,000 per DD Form 1155 (including modifications). However, there is no monetary limit when it is used as a delivery order, a blanket purchase agreement or basic ordering agreement against a basic contract which has a firm purchase price established. SF 30 must be used for modifications to DD Form 1155. Use either the hard copy form or an electronic transmission.

a. When the contracting office uses the pre-printed hard copy, versions of the DD Form 1155, it is a carbon interleaved form of 10 sheets per set.

(1) The contracting officer keeps the original, signed copy for the official contract file and furnishes two readable copies to the paying office.

(2) For those vendor pay offices with automated payment systems which produce a SF 1034 (Payment Voucher For Purchases and Services Other Than Personal) as a payment voucher, vendor pay personnel will stamp one copy of the DD Form 1155 a "DUPLICATE ORIGINAL" and use it to support the disbursement. The paying office keeps this copy in the FAO/DAO files.

(3) For those offices which do not have automated systems which produces SF 1034 payment voucher, use the marked version of the DD Form 1155 as a payment voucher.

(4) Accounting personnel will use the unmarked copy of the DD Form 1155 as the obligating document. Those FAOs/DAOs that receive electronic transmission of procurement documents can pass the transmission through CAPS into the accounting system. The FAO/DAO is not required to keep a hard copy version of the procurement document. In this case, the authorizing procurement document information must be retained as part of the payment history file for six years and three month after the final payment.

(5) In non-automated environments, the contracting officer will send two readable copies to the receiving activity to use as a receiving and acceptance report. After completing the form, receiving activities will send one copy to the contracting office or retain it within their own files. The other copy is sent to the vendor pay office to support the disbursement.

b. When automated versions of the DD Form 1155 are sent electronically from contracting to the FAO/DAO, it is not necessary to produce a printed version for a hard copy file, either to support the disbursement or the obligation. This is true unless the automated paying/accounting system cannot accept an automated version and must have a hard copy for paying or obligating purposes. However, if a hard copy is not necessary and the only records will be those in the automated payment/accounting system, the system must be able to retrieve the DD Form 1155 information for six years and three months after the final payment.

c. If electronic versions of the receiving and acceptance report are sent to the vendor pay office, it is not necessary to print a hard copy to put into a file. However, like the procurement document in subparagraph b above, the information on the receiving and accepting report must be available for six years and three months after the final payment.

### **20-13. SF 44 (Purchase Order-Invoice-Voucher)**

a. SF 44 is designed primarily for over-the-counter purchases while away from the contracting office or at isolated activities. In any wartime period, it will be the chief payment voucher in near-combat zones. Contracting officers control the form and appoint those individuals authorized to make purchases on the SF 44 as ordering officers. Contracting officers also determine what numbering system will be used for the SFs 44 they control. General instructions for using SF 44 are printed on the form itself. In peacetime, SFs 44 are authorized only when the contracting officer considers no other small purchase method suitable and only when all of the following conditions are met:

- (1) Each transaction does not exceed \$2,500.
- (2) The supplies or services are immediately available.
- (3) Only one delivery and one payment will be made.

b. The SF 44 is a six-part carbon interleaved form. After making a purchase with SF 44, ordering officers will complete all applicable portions; leave copy 4 in the book, keep copy 6 for their records and deliver or forward four readable copies to the paying office. Vendor pay personnel will make distribution as follows:

- (1) Copy 1 is the invoice and can also be used as a payment voucher in non-automated vendor pay offices. Automated vendor pay offices will attach the computerized SF 1039. It may be sent singularly or attached to an original SF 1034.
- (2) Copy 2 is given to the vendor at the time of a cash purchase or is returned to the vendor with the check payment.
- (3) Copy 3 is the receiving and acceptance report. It is used like any other such document and retained in the paying office files.

(4) Copy 4 is retained in the book of forms unless the contracting officer directs otherwise.

(5) Copy 5 is used to obligate the purchase in the accounting system.

c. When a vendor requires a cash payment, the cashier or Imprest Fund Custodian must make the payment and the vendor acknowledges the cash payment by signing in the "SELLER'S NAME" block of the SF 44. The vendor must also put the date and "PAID IN CASH" on the form. The ordering officer attaches a copy of the receipt furnished by the vendor to the form and completes copy 3 (receiving and acceptance report) after the purchase.

d. Except in wartime, combat or near-combat zones, the ordering officer usually does not pay the vendor in cash at the time of the SF 44 purchase. In this situation, the ordering officer completes copy 3 as the receiving and acceptance report.

e. Vendor pay personnel will prepare a SF 1034, using the SF 44 as a subvoucher when:

(1) The amount paid the vendor is less than the invoiced amount, except when discount is taken. The SF 44 document number must be put on the SF 1034, along with information on the reason for the difference.

(2) More than one invoice from the same vendor is being paid. SF 1034 must show the procurement document number of each of the SFs 44 being paid. In this case, only the SF 1034 is certified. Certification is not required on each attached SF 44.

(3) Automated systems produce a computer-generated SF 1034 as the payment voucher, copies of the SF 44 are used as the procurement document, the invoice, and the receiving and acceptance report.

f. Payments not made in cash at the time of purchase are subject to PPA. The payment due date is 30 days after the ordering officer receives the products and invoice, which is usually the day the merchandise is bought. Payments for meat are seven days after the purchase. Agriculture and dairy products are paid 10 days after the purchase. Interest is due on late payments.

### **20-14. Using credit cards for small purchases**

#### *a. Applicability*

(1) This section prescribes policy and procedures to implement the use of a credit card as a payment mechanism for the purchase of supplies and services within the simplified purchasing procedures. The International Merchant Purchase Authorization Card (IMPAC) is the official name of the U.S. Government Credit Card.

(2) The IMPAC credit card is authorized for use to make over-the-counter Government purchases of items which are immediately available or telephone purchases which are available for delivery within 30 days or within the billing period. It also may be used in lieu of Standard Form 44 (Purchase Order-Invoice-Voucher) and imprest fund transactions. While supplies or services may be procured on DD Form

1155 or a Blanket Purchase Agreement (BPA), payment may be made by the credit card. These items must be immediately available for over-the-counter purchases, and there cannot be any back orders.

(3) Under limited conditions as allowed by the purchasing activity, janitorial services; personnel clothing and footwear; and rental or lease of vehicles may be purchased with the card.

(4) Under no circumstances will the credit card be used for cash advances; rental or lease of land or buildings; or for telecommunications services.

(5) The card does not replace SF 149 (U.S. Government National Credit Card) used by the Interagency Fleet Management System.

*b. Policy*

(1) *Documentation.* Maintain appropriate documentation at all levels to support the integrity of the purchase and the credit card program. This will facilitate the reconciliation of credit card statements. The cardholder will establish the audit trail by maintaining a log of the transactions, receipts, charge tickets, credits, and other relevant documents. When using the credit card to pay for items procured on DD Form 1155 or BPA, insert copies of these documents into the cardholder's records. The signed cardholder's "Statement of Account" constitutes proof of receipt of the goods or services. The Statement of Account lists each transaction that is sent to the cardholder at the end of the monthly billing cycle. The annotated cardholder's Statement of Account, signed by the approving official, is certification that the goods or services received were official requirements and is sufficient documentation for the paying office to make the payment after proper voucher examination.

(2) *Disputes.* This refers to delivery (receipt), price, and billing errors. If an item is disputed, the cardholder must provide a questioned item form to support payment. Sales tax and shipping and handling issues are resolved via merchant credits issued to the buyer.

*c. Payment.* For purposes of determining the payment due date and the date on which interest will begin to accrue, the invoice shall be paid in compliance with the guidance contained in paragraph 20-43.

*d. Responsibility.* Credit cards used as a payment mechanism creates specific responsibilities for all people involved in using the card and paying invoices.

(1) *Agency.* The using agency has the following responsibilities:

(a) Agency heads will establish policy and procedures for credit card including payment procedures.

(b) An agency will issue a delegation of authority document to establish an individual as a cardholder and to identify the individual's assumption of liability.

(c) Each agency must designate a program coordinator who will function as the agency's primary liaison with the credit card contractor.

(d) The using activity's contracting office is responsible for contacting the credit card contractor to establish the program and appointing the approving official and disputes official, as well as arranging for training. As required by the Army FAR Supplement (AFAR) 13.90, training of cardholders and the training of officials is mandatory prior to issuance of cards. Training must cover Federal, Defense and Departmental regulations, policies, and procedures pertaining to small purchases and required sources of supplies and services (FAR, Part 8 and 13), as well as component operating procedures. Cardholders, approving officials, and FAO/DAO responsibilities must also be included in the training.

(2) *Cardholder.* The cardholder has the following responsibilities:

(a) The cardholder is the U.S. Government employee to whom the card is issued. The card includes the name of the authorized user. The cardholder will follow the FAR, DFAR, AFAR, and the component guidance concerning purchases. The cardholder is responsible and assumes liability for unauthorized purchases.

(b) For each purchase, the cardholder will provide the applicable appropriation cite, job order, and requisition number, or other required data. If a card is associated with a unique appropriation, users must ensure that the credit card used to fulfill a requirement has the same fund cite as the requirement.

(c) For ensuring funds are available and committed before the purchase is executed

(d) Ensuring that the written order is issued against a Federal Supply Service contract.

(e) Verifying receipt of merchandise or services. When applicable, the cardholder must contact a central receiving activity, if the cardholder is not the actual recipient.

(f) Advising the merchant that state and local taxes are not charged. If taxes are charged in error, payment must be made and the merchant must provide a credit.

(g) Within three calendar days of receipt of the monthly Statement of Account, the cardholder must review and reconcile the Statement of Account and forward it to the approving official.

(h) Notifying the paying office of disputed items and merchant credits in a timely manner. The cardholder must take appropriate action with the merchant on disputed items. The cardholder also is responsible for initiating credit for the return of defective or faulty items. If a credit has been received from the merchant, credit vouchers must be forwarded to the paying office along with the certified Statement of Account.

(i) If multiple requisitions were used for a single purchase, each requisition must be maintained. Along with the invoice, documentation may include the packaging slip.

(j) The cardholder must follow all requirements of the FAR, Section 13, Small Purchases.

(k) The cardholder must ensure that the contractor will not charge the credit card until the shipment is made. VISA's merchant regulations mandate that the merchants delay processing a transaction until purchased merchandise has been shipped.

(l) Completing the necessary training for the use of the card, including small purchase training.

(m) Use the card for official U.S. Government purchases only.

(n) Promptly notify the contractor of lost or stolen cards.

(o) Maintaining the spending limitation imposed on a cardholder's cumulative purchases for each month. There is a single purchase dollar limitation as well. Even though a single purchase may include multiple items, the dollar amount may not exceed the single purchase limitation.

(3) *Approving Official.* The approving official has the following responsibilities:

(a) Reviewing each subordinate cardholder's monthly statements and verifying that all transactions were made for U.S. Government purposes.

(b) Setting individual purchases limits, monthly cardholder limits, and monthly office limits.

(c) Reviewing for proper use and signs individual cardholders' Statement of Account after cardholder reconciles. Signs and forwards the Statement of Account to the paying office for payment.

(d) Completes necessary training as an approving official.

(e) Maintains signature cards of all cardholders.

(f) In the cardholder's absence, reviews the cardholder's activity, signs a copy of the Statement of Account, and forwards it to the paying office for payment. The approving official will ensure that the cardholder reconciles and forwards the original copy of the Statement of Account upon return.

(g) Initiating cancellation of a credit card.

(4) *Testing Activity.* The using activity has the following responsibilities:

(a) Maintains a master list of activity cardholders and their approving officials.

(b) Ensures that a funds availability check has been made before executing the purchase, either by the cardholder, the requisitioner, or the program funds manager.

(c) Ensures that evidence of receipt is provided for each purchase.

(d) Ensures that the cardholder makes a request for credit from the contractor for any incorrect charges after the activity receives the invoice.

(e) If an unauthorized purchase is detected, the using activity will notify the paying office that the

transaction was unauthorized in order for an account receivable to be established by paying office. If any transaction is determined to be unauthorized, the cardholder will be held accountable and will be indebted to the U.S. Government.

(5) *Paying Office.* The paying office has the following responsibilities:

(a) The paying office will receive from the approving official a certified copy of each cardholder's supporting statements, which will support the summary charges on the monthly invoice. Each cardholder's Statement of Account, signed by the cardholder and approving official on each page of the statement, represents a proper certification for charges to that account. Supporting documentation must be maintained by each cardholder.

(b) The paying office will ensure that only items that have been certified for payment by the cardholder and approving official are processed for payment. Items not received, items which have credit pending from merchants, and items with disputes pending, will be deducted from the invoice for nonpayment as directed by the cardholder.

(c) When notified of an unauthorized transaction, the paying office will establish an account receivable against the cardholder.

## **20-15. Imprest fund**

a. An imprest fund is a cash fund of a fixed amount established by an advance of funds (without charge to an appropriation) from a finance and accounting officer/defense accounting officer to a duly appointed cashier. The fund is used to make immediate cash payments for relatively small purchases. It is replenished on a revolving basis. After credit card purchases, it is the preferred method for cash payments. It is the only authorized cash small purchase procedure, except for cash payments made by finance and accounting officers/defense accounting officers and their authorized agents.

b. Imprest funds may be used for small purchases when all of the following are true-

(1) Each transaction does not exceed \$500.

(2) It is to the U.S. Government's advantage to use the fund.

(3) Use of the fund complies with FAR 13.4.

(4) Use is based on an authorized purchase requisition.

c. The actual operation of an imprest fund is conducted outside the FAO/DAO. Vendor pay personnel will fund and monitor imprest fund cashiers and their purchases, and process their paid vouchers. Complete instructions for using imprest funds are in Chapter 40 of this regulation and FAR 13.4.

d. Because imprest funds are outside the U.S. Treasury, the number of funds must be held to a minimum. IMPAC used for purchases will replace the use of imprest funds as much as possible.



## **20-16. Fast payment contracts**

a. Fast pay contracts are designed to pay vendors quickly, before an authorized U.S. Government representative has checked and accepted the goods. These contracts will be used sparingly because of audit vulnerability. While contracting officers determine the use of fast payment contracts, vendor pay personnel will challenge their use if any of the conditions in (1) through (4) below are not met. Fast payment contracts can only be used when all of the following conditions are met:

(1) Individual orders do not exceed \$25,000.

(2) Deliveries of supplies are to occur where there is both a geographical separation and a lack of adequate communication facilities between U.S. Government receiving and disbursing activities.

(3) Title to the supplies passes to the U.S. Government upon delivery to a post office or common carrier or when the U.S. Government receives the goods if the shipment is by means other than the post office or common carrier. (NOTE: A common carrier is any individual or business which transports passengers or cargo for payment.)

(4) The vendor agrees to promptly replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to the procurement document.

b. Vendor's will prominently mark their invoices "FAST PAY." However, check the contract to ensure that it is actually a fast payment document since some vendors mark all their invoices "Fast Pay." Under fast payment contracts, the vendor's invoice is a certification that-

(1) The supplies have been delivered to a post office, common carrier, or to the point of first receipt by the U.S. Government, and

(2) The vendor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to the procurement document requirements.

c. The vendor is obligated to replace, repair or correct erroneous shipments at their expense, provided the contracting officer instructs them to do so within 90 days (6 months on shipments overseas) from the date title to the supplies passes to the U.S. Government.

d. For post office or common carrier shipments, the invoice must cite the date of shipment, name and address of carrier, and bill of lading number or other shipment document number, or copies of these documents must be attached to the invoice to prove shipment. If other than post office or common carrier is used, there must be a receipt copy of the contractor's delivery document attached to the invoice.

e. The payment file on fast payment procurements cannot be closed until a receiving and acceptance report assures that the goods have been received and accepted. Vendor pay personnel must start follow-up efforts to obtain receiving and acceptance

reports within 20 days after the date of payment (40 days on overseas shipments). The contracting officer has only 90 days (6 months overseas) after goods are shipped to notify the vendor of a defective shipment. Vendor pay personnel will inform the contracting officer if they have not received confirmation of receipt and acceptance by 30 days after payment. If the report has not been received by 60 days (5 months overseas) after the payment was made, again inform the contracting officer. Retain copies of all documents used to obtain confirmation of receipt and acceptance (including records of phone calls made). Include those that notified the contracting officer that receipt and acceptance had not been confirmed in the retained, inactive file. These files are retained for six years and three month.

## **20-17. National Guard Bureau state contracts**

U.S. Property and Fiscal Offices (USPFOs) in each state share costs with their state on building or maintaining property. If the state contracting officer, acting in his or her capacity as a state employee, issues contracts for this work using the states funds, payments the USPFO makes to the state or to the contractor are exempt from PPA. However, if the USPFO contracting officer, acting in his or her capacity as a Federal employee, issues the contracts using Federal funds, either to the state or to a private business concern, the payments are subject to PPA.

## **20-18. After-the-Fact Ratification**

Only contracting officers have the authority to enter into contractual agreements with vendors. Occasionally, an unauthorized individual will order goods or services. Under these circumstances (DFARS 1.602-3), the contracting officer can ratify such improper contracting actions. Contracting officers will consider ratification of any claim resulting from such unauthorized commitments before processing it as a doubtful claim.

## **20-19. Request for advance decision on procurement payments**

a. When vendor pay personnel are doubtful about the legality or correctness of a payment, they will get opinions from their local contracting officer and their local Judge Advocate General (JAG) office.

b. If doubt of overpayment remains and dollar amount in the case exceeds \$100, vendor pay or quality assurance personnel will prepare the request for a Comptroller General (Comp Gen) decision. All pertinent papers (including the local JAG and contracting officer opinions), will be attached and forwarded by transmittal memorandum to: Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/GL, 8899 East 56th Street, Indianapolis, IN 46249-0160.

c. If doubt overpayment remains and the dollar amount is \$100 or less, vendor pay or quality

assurance personnel will request advice from the DFAS-IN legal office at the address given in b above. If, after receiving this advice, the finance and accounting officer/defense accounting officer is still doubtful about the legality of the payment, the case may be forwarded to the Comptroller General. Attach a copy of the DFAS-IN opinion as well as other legal or contracting opinions.

#### **20-20. Classified procurement documents**

Some procurement documents are issued with a very restrictive need-to-know because the goods or services being ordered are classified. In these cases, the vendor pay office may receive an abbreviated copy which has only the minimum information necessary to make payments. As long as the information is enough to allow payment, vendor pay will process payments as usual.

### **Section III Receiving Reports**

#### **20-21. Purpose**

The procurement or other authorizing document is the agreement between the U.S. Government and a private (non-Federal Government) business concern for goods or services. The receiving and acceptance or other approval document is the document in which a U.S. Government representative confirms that the private business performed or delivered according to the authorizing document. If the receiving function has been contracted out, contract employees can receive and accept goods or services in the name of the U.S. Government (FAR 46.6). The receiving and acceptance document or information is important to vendor pay personnel because payment cannot be made until the U.S. Government representative confirms the vendor has met contract specifications.

#### **20-22. Delivery versus acceptance**

The terms "delivery" and "acceptance" are not the same and cannot be used interchangeably. Delivery occurs when a vendor delivers merchandise to a specified point or individual. Acceptance occurs when an authorized U.S. Government representative examines the goods, compares them to the procurement document, and is satisfied that the material conforms to the contract specification. Delivery of services occurs when the contractor completes the service. Acceptance occurs when an authorized U.S. Government representative inspects the contractor's product and is satisfied that the product meets contract specifications. Delivery and acceptance may occur on the same day but, usually, acceptance is a few days after delivery.

#### **20-23. Constructive acceptance**

a. Constructive acceptance is a concept which forces U.S. Government agencies to pay interest to vendors if they take too long to inspect and accept

deliveries or services. The original PPA of 1982 directed that the payment period started from the later of either invoice receipt or acceptance of goods or services. There were no constraints on how long the U.S. Government could take to accept goods or services. If receiving personnel took weeks or months to officially accept delivery or performance, the payment period did not begin until that date. This resulted in contractors being paid long after delivery or performance without interest. Contractors complained so bitterly about this situation that the U.S. Congress included the constructive acceptance concept when they passed the PPA Amendment of 1988.

b. The U.S. Congress did not want to force U.S. Government agencies to pay for goods or services until they had been received and examined, but they wanted vendors to receive interest if that procedure took too long. Consequently, vendor pay personnel cannot process a payment until actual acceptance occurs (except for fast payment contracts). However, for the sole purpose of starting the payment period (and, therefore, when interest starts to accrue), constructive acceptance is deemed to have occurred seven calendar days after the vendor delivers or completes service performance according to contract terms and conditions. In the event that actual acceptance occurs within the seven day constructive acceptance period, the payment period starts based on actual, not constructive, acceptance. Therefore, the payment period starts from the later of the two following events:

- (1) The invoice is received in the proper office, or
- (2) Constructive acceptance occurs (or actual acceptance if it occurred before the 7th calendar day). (See paragraph 20-43 for more details on determining payment due dates.)

c. Use constructive acceptance in determining the due date for most payments. (Exceptions are identified in the desk reference guide at Appendix G.)

#### **20-24. Receiving report format**

a. There is no prescribed format for receiving reports but they must contain the following information (FAR 32.905):

- (1) The procurement or other authorizing document number.
- (2) Description and/or quantities of supplies delivered or services performed.
- (3) Quantities of goods or services accepted or rejected.
- (4) The date supplies were delivered or services were performed.
- (5) The date merchandise or services were accepted.
- (6) The name, title, and telephone number of the U.S. Government official responsible for acceptance or approval functions.

b. The preferred way to obtain the above information is by electronic transmittal. This transmittal

can be from system-to-system transmission or via FAX machine. The most common hard copy documents used are the receiving report copy of the DD 1155 or the DD Form 250 (Material Inspection and Receiving Report). The most convenient document, particularly in non-automated offices, is a fill-in-the-blank stamp on a delivery ticket, invoice, or sheet of paper (see paragraph 20-33). If hard copy documents are used, forward them to the vendor pay office by sequentially numbered transmittals to prevent document loss or misplacement by receiving personnel. Sign and date each document. An electronic signature or password authenticates and dates electronic transmissions.

c. The delivery or performance and the acceptance dates are necessary to determine the payment due date under PPA. Unfortunately, some receiving personnel place/provide only one date on receiving reports. If so, assume that date is delivery or performance and that actual acceptance occurred sometime after the 7th calendar day - constructive acceptance. In these situations, the payment period starts with the later of invoice receipt in the designated billing office or the 7th day after the date on the receiving report. If vendors question payment timing in these situations, contracting officers will resolve the dispute (FAR 32.909). If a DD Form 1155 is used as a receiving report and the received, inspected, and accepted blocks are all checked and only one date is annotated, assume receipt and acceptance occurred on that same date. In this case the Prompt Payment Act clock starts the day after the date on the DD Form 1155.

d. If there is no date on the receiving and acceptance report, use the invoice receipt date to determine the due date. If an interest penalty results, charge it to the organization who prepared the receiving and acceptance report. The finance and accounting officer/defense accounting officer will report the offending activity to the commander and request support in avoiding future occurrences.

#### **20-25. Timing of receiving information to the vendor pay office**

OMB Circular A-125, the FAR, and U.S. Army logistics regulations direct receiving activities to ensure that receiving reports are received in vendor pay offices within 5 workdays after receipt and acceptance. For chargeback purposes, a receiving report is late if it reaches the vendor pay office after close of business (COB) on the day that is one-half the payment period (for example, 15 days on a 30-day payment, 7 days on a 14-day payment, and so forth).

#### **20-26. Vendor pay requests to receiving activities**

Since payment cannot be made until receiving and acceptance information reaches the accounts payable office, efforts to get the information will begin no later than 15 days after the invoice is received. Use a

pre-printed or computer-generated form asking for the document or information. Send follow-up copies or phone the activity at 10-day intervals until the activity either provides the information or explains why there will be none. Offices located outside the continental United States (OCONUS) may establish a different schedule of follow-up actions based on local conditions.

#### **20-27. Exception receiving reports**

Vendor pay personnel may establish an "exception" receiving report procedure for making billing period payments (for example, monthly or quarterly). To do this, send a fill-in-the-blank memorandum to the receiving activity with the following statement: ["We will pay the invoiced amount to (...vendor...) 30 days after the end of each billing period on procurement document (...number...) for (...goods or services...) without a receiving report from you. Under this procedure, you must inform us immediately of any change in vendor performance or contract specifications. Under this simplified procedure, we will send you one copy of each paid invoice so that you can track the amount the vendor has charged. Inform us immediately if there is an overcharge so that we can offset the overcharge amount against a future payment. You must send us a report or statement at the end of the first billing period and at the end of the contract period that the vendor is conforming to contract specifications."] Send two copies of this memorandum to the receiving activity and request a signed "received and understood" statement on one copy and return it to you. When the signed memorandum is returned, pay the amount the vendor invoices each billing period. Furnish one copy of each paid invoice to the receiving or approving activity. As with all other payments, do not disburse an amount greater than the total dollars on the contract without a memorandum or modification from the contracting officer (see paragraph 20-10).

#### **20-28. Disposition of receiving reports**

Receiving information is part of the automated payment history in a system or on bills register cards for non-automated FAOs/DAOs. If hard copy documents are used, one copy of the receiving report is attached to the paid voucher and invoice in the paying office retained files.

### **Section IV Invoices**

#### **20-29. Vendor's bill**

a. An invoice is the bill from the vendor asking for payment for the goods delivered or services performed. The vendor's request for payment (invoice) must be "proper." There is no prescribed format for invoices. Use delivery tickets whenever possible. The format used by the vendor is acceptable if it contains the information necessary to make

it "proper." A proper invoice is a bill or written request for payment provided by a business concern for property or services rendered. It must include all of the information required by the terms of the procurement document, be accompanied by such substantiating documentation as required by regulation or the contract, and be received in the designated paying office. Supplemental billings will include all information required for original billings. A proper invoice must include the following:

(1) Name and address of the business concern and the invoice date.

(2) Contract number or other authorization for delivery of property and/or services (including order number and contract line item number).

(3) Description, price, and quantity of property and services actually delivered or rendered.

(4) Shipping and payment terms.

(5) Other substantiating documentation or information as required by the contract.

(6) Name (where practicable) title, telephone number, and complete mailing address of the responsible official to whom payment is to be sent.

(7) Name (where practicable) title, telephone number, and mailing address of person to be notified in event of a defective invoice. Submit the invoice to the designated billing office as instructed in the procurement document.

#### **20-30. Electronic invoices**

Some business concerns are developing electronic invoices. This is a system-to-system transmission which is used to send an invoice directly into the accounts payable system. As long as all required information is on the electronic invoice, it is the preferred method of invoice receipt. Invoices received through FAX machines are also encouraged. If one of these methods is used, print one copy and prominently mark it "SYSTEMS ORIGINAL" so it is not confused with any hard copy invoices which may be mailed to the vendor pay office.

#### **20-31. Invoice receipt date stamping**

Since the date the invoice is received at the designated billing office is necessary to determine the correct payment due date per the PPA, date stamp all invoices, including system-to-system or FAX transmission, with the date received at the billing office. If the designated billing office does not date-stamp the arrival date, **all payment due dates are computed from the date the vendor placed on the invoice.** In this situation, actual or constructive acceptance dates are not used. The correct payment due date is computed from one date - the date of (on) the invoice. Since this date is earlier than the date it is received (and usually before goods or services are received), payment processing time is reduced. If an interest penalty results from a designated billing office outside the FAO/DAO not date stamping invoice receipt, interest amount will be

charged to that office. Finance and accounting officers/defense accounting officers will report this failure to the commander and ask for support in avoiding future occurrences.

#### **20-32. The designated billing office**

The designated payment office is the FAO/DAO named in the procurement document to pay the vendor. The designated billing office is the office specified in the contract to first receive invoices. Because the date the invoice is received at the designated billing office is necessary to compute the one correct payment due date, it is desirable for contracting officers to make the paying office both the designated billing and designated paying office. However, contracting officers sometimes direct vendors to send invoices to another designated billing office, such as a contracting officer representative (COR) or through their own or another office for approval. When the procurement document reaches the vendor pay office, look to see who the designated billing office is. If it is an organization outside the paying office (especially one who does not usually receive invoices), send a pre-printed or computer-generated form to them explaining the requirement to date-stamp the invoice.

#### **20-33. Using the invoice as an acceptance document**

Receiving and acceptance information for both goods and services can be put on the invoice. One document will then serve as the invoice, the receipt, and acceptance report. The simplest way is for the receiving activity to use a fill-in-the-blank stamp on the invoice, fill in the blanks, sign and date it and send it to the paying vendor pay office. Even if this method is used, it is still preferred that the paying office be the designated billing office.

#### **20-34. Returning an improper invoice**

If an invoice does not meet the criteria of "proper", return it to the vendor. Note on the invoice the reason it is not a proper invoice so the vendor can correct it. For contracts issued on or before March 31, 1989, an improper invoice must be returned within 15 calendar days of receipt in the designated billing office. For contracts issued on or after April 1, 1989, improper invoices must be returned within 7 calendar days. (Three days for meat or meat food products and five days for perishable agricultural commodities, dairy products, and edible fats and oils.) If the improper invoice is not returned within the 7 (or 15) calendar days, the number of days beyond the 7 (or 15) days are subtracted from the payment count when the corrected invoice is returned. Since there are time constraints on returning invoices, check them as soon as they arrive. Invoices can only be returned under PPA when they do not conform to the definition of a proper invoice.

### 20-35. Invoice disposition

Most procurement documents direct the vendor to forward one original and three copies of all invoices. Disposition is:

- a. Attach the original to the original payment voucher (See Chapter 3 of this regulation for retention instructions.)
- b. Attach one copy to a copy of the payment voucher, a copy of the procurement/authorizing document, and a copy of the receiving report and retain in the finance and accounting officer's/ defense accounting officer's retained accounts.
- c. If checks are issued, rather than an EFT, return one copy to the vendor with the payment. If the invoice number being paid is shown on the voucher, it is not necessary to return a copy of the invoice to the vendor.
- d. If another DoD fiscal station is cited, attach one copy to the payment voucher.

### 20-36. Multiple invoices

It is very rare that one payment can pay multiple invoices because they will not have the same payment due date. However, if multiple invoices payable to one vendor at one location do have the same payment due date, pay them in one payment. It is important to describe the invoices being paid on the face of the voucher so the vendor will know what you are paying. Enter the amount of each invoice separately in the voucher's "AMOUNT" column.

### 20-37. Incorrect invoices

*a. Invoices showing reduced prices* Compare the unit prices on invoices with the unit prices on the procurement document. Invoices can be accepted if they are submitted for less than the unit or total contract price; pay the lesser amount shown on the invoice. It is not necessary to note the reduction on the voucher.

*b. Invoices showing increased prices* When the invoice shows a higher unit or total price than stated in the contract:

- (1) Make the necessary downward adjustment on the face of the voucher and pay the reduced amount.
- (2) Explain that the invoiced amount exceeded contract terms.

(3) Use a stamp or a fill-in-the-blanks form to tell the vendors he will have to contact the issuing contracting officer about the unpaid, billed amount.

*c. Arithmetical errors* If the invoice amount is wrong but the unit prices and number of units are correct, correct the amount and pay it. However, do not make any corrections that will cause the total dollar amount of the invoice to exceed the procurement document unless provisions of paragraph 20-10 are followed.

*d. Incorrect invoices due to partial deliveries* When a portion of the items contracted for was not received or was rejected by the receiving activity, but the vendor submits an invoice for the total amount:

(1) Pay for the items the receiving activity has accepted.

(2) Use a stamp or a fill-in-the-blanks form to explain to the vendor why you are paying less than the billed amount.

(3) If the vendor later delivers the rest of the shipment, use a copy of the previous invoice to make the second payment. Clearly mark the copy "DUPLICATE FOR SECOND PARTIAL" so it cannot be confused with the first or any later payments.

(4) If more than two payments must be made because the vendor delivered partial shipments several times, request a new invoice showing the correct amount.

### 20-38. Vendor name

*a.* Make vouchers payable to the vendor name and address identified on the procurement document. The name and address on the invoice must be the same as the name and address in the contract or on a proper notice of assignment (FAR 32.905). If the "remit to" name and address on the invoice is not the same as in the contract or on a proper notice of assignment, return the invoice as an improper invoice.

*b.* When there has been a change in a corporate name from a merger, consolidation, or other legal proceeding, the vendor must submit a certificate to the designated billing office verifying that the change was obtained from the proper state official. Once this certification is received, process payments to the new name and address. Make sure the contract number is shown on each payment voucher. A contract modification is not necessary in this situation. If the designated billing office is the FAO/DAO, furnish a copy of the vendor certification to the issuing contracting officer.

*c.* When a successor company has taken over a bankrupt or dissolved firm, including its contracts, the successor business must submit proof of the items in (1) through (3) below. Once the proof has been received, accept invoices from the successor company. The successor business must submit proof that:

- (1) The original corporation has been dissolved.
- (2) The old corporation's assets were distributed to the new corporation.
- (3) The liquidating trustees have been discharged.

### 20-39. Vendor failure to submit invoices

*a.* The paying office will request invoices and supporting documents from vendors where there is no question of the U.S. Government's liability and there is no dispute of facts. This is not held as inviting a claim as it is in the interest of prompt payment of an open account (30 Comp Gen 266).

*b.* Follow these procedures:

- (1) *Payables of \$.99 or less* If invoice is not received within 90 days after receipt of goods or

services, deobligate funds and write-off payable (58 Comp Gen 372).

*(2) Payables of \$1 through \$99.99:*

(a) If an invoice is not received within 30 days after date of receiving report, request invoice from contractor/vendor. This is the only follow-up required and will be accomplished at any time between 30 and 60 day marks, depending on local circumstances. For meat, fish, fresh fruits and vegetable, and dairy products and edible fats or oils, follow-up will be made in time to prevent the possible loss of cost-effective discounts (if possible) and to avoid payment of late payment interest penalties.

(b) Include with the request for invoice a "Release from Contract Obligation". Request that the contractor return either an invoice or the completed and signed Release of Contract Obligation. If automated contractor follow-up is available, it may be used instead of manual follow-up procedures. Automated payable systems will maintain the evidence of follow-up in the system eliminating the requirement for it to be physically located in the contract file.

(c) If a proper invoice is received, pay it. If the contractor signs and returns the form, immediately deobligate the payable and retain the contract and the case file in a closed file until the statute of limitations expires. Place cancelled contracts in the cancelled file. If the invoice is not received after 180 days from the date of receipt of the goods or services, deobligate the funds and write-off the account payable. The account payable must also be retained in the closed file until the expiration of the statute of limitations (six years).

(d) Although a contractor is not required to sign a Release from Contract obligation, the decision to do so creates legal rights on behalf of the U.S. Government, and the signed form will be viewed as a legal release from the contract. In the event that both the U.S. Government and the contractor agree that the form was in error, this agreement would set aside the release. The form will be signed by an authorized representative of the company and not by clerical employees. If no evidence to the contrary is available, assume that the signee was so authorized.

*(3) Payables of \$100 or more:*

(a) Follow procedures in 20-39 (2) above.

(b) If the contractor signs and returns the form, deobligate the payable immediately. If the form or invoice is not returned within 180 days from receipt of goods or services; transfer the payable to the inactive suspense file. Maintain the obligation until expiration of the statute of limitations which restricts time for filing claims against the U. S. to six years from date the right to payment accrued (date that goods or services were received). Deobligate the funds upon expiration of the statute of limitation.

*c. Facsimile Submitted Invoice* invoices sent to the office designated in the contract by teletype, TWX, EDI, or FAX are acceptable provided they meet the

copy, content, and the legibility requirements of the contract and the FAR, Part 32.

## **Section V**

### **Paying Commercial Vendors**

#### **20-40. Introduction**

a. The PPA, as amended in 1988, changed the way vendor pay personnel pay commercial vendors. The U.S. Government had a reputation for paying vendors long after they delivered goods or finished performing services. The purpose of the PPA is to ensure payments to vendors are made soon after the delivery or performance or to pay interest to vendors if payment was delayed. Audits conducted by the General Accounting Office (GAO) and DoD audit organizations have confirmed that payment practices have improved but are still not as timely as the U.S. Congress intended when the PPA was passed. To further improve Federal compliance with PPA directives, the U.S. Congress passed the PPA Amendment of 1988.

b. The tenants of the PPA are now entrenched in vendor pay procedures, whether automated or manual. However, they bear repeating here as an overall guide to be followed in those situations which do not fall neatly into prescribed procedures.

#### **20-41. PPA rules**

a. With the exceptions listed in paragraph 20-42, all payments made to non-Federal Government business firms are governed by the PPA, including payments to state and local governments. As previously stated, contracting officers are required to establish payment due dates in all procurement documents they issue (FAR 32.904). When the procurement document is silent, follow PPA payment rules given in this chapter. (See the desk reference guide in Appendix G of this regulation.)

b. There is only one correct payment due date for all payments, including discounts. All payments made before the one correct due date are early, whether or not they have to be reported, and all payments made after the one correct payment due date are late. The actual due date may be determined differently based on what kind of payment it is, but in each category of payment, there is only one correct payment due date. When a correct payment due date occurs on a weekend or holiday, the payment is issued on the next working day. It is not late as long as payment is made on the next workday. It is not reported on the PPA report as late, nor is an interest penalty due the vendor. However, the payment is late and an interest penalty is due if the check is not issued on the first working day after the weekend or holiday.

c. If a payment is late, even one day after the correct payment due date on contracts issued on or after April 1, 1989, interest is due the vendor. Add the interest to the payment amount. Vendors do not

have to ask for interest; if it is due, it is to be paid. To deliberately not pay interest when it is due is violating the law.

d. Compute interest from the day following the payment due date through the date of the payment, and compound each 30 calendar-day period. Interest is calculated on a 360 day year. For those offices that do not have an automated payable system to calculate the interest, a daily rate of interest must be calculated to use for determining the interest due. To calculate the interest penalty using the daily rate, multiply the daily rate of interest times the number of days late (up to 30 days) times the principal amount payable, and add the resultant amount to the principal. Compound the interest for any interest due beyond the 30 day period.

Example:

Principal: \$500.

Interest rate: .05625

Daily rate:  $.05625/360 = .0001562$

Days paid late: 45

Interest for days late:  $30 \text{ days} \times .0001562 = .00468$   
 $\times \$500 = \$2.34$

Compounded after 30 days:  $.0001562 \times 15$   
(remaining days late) =  $.002343 \times \$502.34 = \$1.18$   
Total amount due: \$503.52

e. Discounts can only be taken if the payment is actually made within the discount period. Discount periods are computed from one date: the date the vendor puts on the invoice. See Section VI of this chapter for more details on discount payments.

f. Do not pay interest penalties required by the PPA for more than one year. Interest penalties directed to be paid by a contracting officer, or some other adjudicating authority per a law other than the PPA, must be paid as directed even if it does exceed one year.

g. Do not pay interest penalties of less than \$1.00. This "less than \$1.00" criteria is per invoice, not per payment voucher or line item. For interest paid in foreign currency, do not pay interest for values less than the equivalent of \$1.00.

h. As a general rule in situations where there is confusion on whether an interest penalty should or should not be paid, first determine why the payment was late. If someone or some organization within the U.S. Government caused the delay, pay the interest. If the delay was caused by the contractor (such as mailing the invoice to the wrong address), do not pay interest.

i. Checks must be transmitted or mailed on the same date they are dated. Interest is not due to a vendor for a check lost in the mail if the original check was dated and mailed on time (64 Comp Gen 32). If payment is by electronic transfer, send the transaction so that the amount reaches the vendor's financial institution on the payment due date. The

EFT settlement date is the same as the payment due date.

j. The fact that funds are temporarily unavailable to make a payment does not relieve the U.S. Army from paying interest, but payment of the interest depends on the situation.

(1) If goods or services already delivered or performed exceed the total dollar value of the procurement document, a memorandum or modification is necessary to add funds (see paragraph 20-10). In this situation, compute the payment due date from the later of the original delivery/performance (using a constructive acceptance period of seven calendar days) or invoice receipt in the proper office. Interest is due if the modification is not issued soon enough to avoid an interest penalty.

(2) If a vendor makes a duplicate delivery or performs a service not in the original procurement document and the U.S. Army representative accepted the goods or services, a modification is necessary to make payment. However, the vendor is "at fault" for exceeding the terms of the procurement document and interest is not due. Establish a new payment due date based on the date the contracting officer signs the modification. If system-to-system transmission is used rather than a signed hard copy of the modification, determine the payment due date based on the date the contracting officer electronically signs the change.

k. If the contract states a vendor is to ship goods to a federal installation for second-destination shipment to the ordering activity and the goods are held up at that installation awaiting shipment, the vendor is due interest for any period the payment is delayed past the due date of the contract or 30 days. It is important the FAO/DAO request the receiving report as soon as possible after receipt of the invoice. If after 30 days a receiving report has not been received, refer the problem to the contracting office for resolution.

## **20-42. Payments exempt from PPA and interest**

Do not pay interest for the following payments which are excluded from the PPA.

a. Payments to other U.S. Government organizations {such as the U.S. Government Printing Office (GPO), the Department of Air Force, Department of Agriculture, General Services Administration (GSA), and so forth}. Therefore, payments from the U.S. Army to any other Federal agency are not subject to PPA.

b. Financing payments made specifically to finance vendors (such as progress or cost-reimbursement payments) on contracts other than construction and architect-engineer contracts are not subject to the PPA. Final payment on a financing contract is subject to the PPA. The payment due date for a final payment is 30 days after the contracting officer approves it. Interest is due if payment is late.

However, all payments, both financing and final, made under construction contracts or architect/engineer contracts are subject to the PPA.

c. Payments to utility companies or other businesses governed by tariffs or state regulatory commissions are not subject to the PPA. Payments made to utility companies not governed by tariffs or state regulatory commissions are subject to the PPA.

d. Payment made as directed by an authorized adjudicating body, such as a court, the JAG, the Armed Services Board of Contract Appeals, or the contracting officer under the Contract Disputes Act of 1978, as settlement of claims do not come under PPA because they are being paid under a different statute than the PPA. If interest is directed to be paid as part of the settlement, it is paid but not reported on the PPA report.

e. Payments on contracts with national foreign governments, payments made under bilateral agreements or memorandum of understanding with foreign national governments, including payments to quasi-government entities such as government-operated utilities, are all exempt from PPA. Even though no interest would be required, it is good cash management to schedule payments for 30 days rather than pay them as they come in.

f. Payments made under CHAMPUS (Civilian Health and Medical Program of the Uniformed Services) are also exempt from PPA.

g. When payments are withheld as directed by a procurement document or when there is a dispute between the U.S. Government and the vendor on performance per a procurement document, interest is not due for the period the payment was withheld. However, once the dispute is solved or the contracting officer directs that payment be made, the payment due date is 30 days after the date the dispute is resolved or the contracting officer directs payment. If payment is delayed beyond the 30th day, interest is due.

h. Payments made to U.S. Government military or civilian employees are not subject to PPA, unless they are acting as contractors and providing goods or a service to the U.S. Government (this should rarely happen). Do not hold these payments for 30 days. Pay military or civilian employees as soon as possible.

#### **20-43. Determining payment due dates**

a. Audit reports indicate that some vendor pay offices have a high error rate in computing the correct payment due date. This error rate may diminish as automated systems, which select the due date, are implemented. However, some systems do not automatically compute due dates. When determining due dates, the rule is to count as "one" the day following an event and to issue the check on the last day of the counting period. Put the correct due date on the payment voucher. When the due date is a weekend or holiday, put the next workday

date on the voucher as the required payment date. The desk reference guide in Appendix G gives the due dates for different types of payments.

b. Since late payments must have interest penalties included in the payment, the U.S. Army's goal is to never make late payments. On the other hand, since early payments force the U.S. Treasury to either withdraw U.S. Government funds from an interest-bearing account or to borrow funds and pay interest, it is important that early payments be kept to a minimum. Therefore, schedule commercial vendor payments as close as possible to, but never later than, the correct payment due date.

c. If the designated billing office does not date stamp the invoice receipt date on the invoice, compute the payment due date from the date the vendor put on the invoice. Do not use actual nor constructive dates.

#### **20-44. Early payments**

Any payment made eight or more calendar days before the one prescribed correct payment due date is an early payment, if the contract was issued on or after April 1, 1989. Payments made four or more calendar days before the due date are early payments, if the contract was issued on or before March 31, 1989. Both payments must be reported on the PPA report. (See Chapter 29.)

#### **20-45. Administrative tasks to pay commercial vendors**

Many separate tasks must be performed in order to pay commercial vendors on time.

a. *Date stamping documents* Date-stamp all documents with the date they arrive in the vendor pay office. Use the actual day of arrival. Correct payment due dates and interest penalties due cannot be computed unless all supporting documents are stamped. If electronic transmission of information is used instead of hard copy documents, the system must be capable of showing the date the information was received in the vendor pay office. Date-stamp the original (first page) and one copy (first copy) if one is provided. Establish a transmittal system for documents and date-stamp the transmittal documents. Where mechanized listings or cards are submitted, date-stamp the listing. Where documents are transmitted through systems interfaces, the system must retain the receipt date. This replaces a date-stamp.

b. *Follow-up to obtain required supporting documents.* Three documents (or electronic information) must support each commercial payment:

(1) A procurement document or another authorizing document that is substituted for a procurement document;

(2) A receiving and acceptance report, certified invoice, or other form of approval document which a U.S. Government representative has signed stating



that the U.S. Government has benefited from the transaction; and

(3) an invoice/bill from a vendor asking for payment.

All of these documents come into the vendor pay office from outside sources, none are internally generated by vendor pay personnel. The documents will be routinely received into the office; unfortunately, they frequently do not arrive in time to make a payment on time. Therefore it becomes a vendor pay task to do whatever follow-up is necessary to get the documents and to maintain records of which activities do not provide the documents on time. Use pre-printed or systems-generated requests to ask for missing documents. Send follow-up copies at 10-day intervals until the activity either provides the document or explains why there will be no document.

*c. Records management* Documents or information stored within an automated system must be retained to support disbursements made. They cannot be disposed of until the last payment has been made and the payment history on a pro-curement file officially closed. The same records management requirements are necessary whether hard copy documents are stored in folders, in a file cabinet, or information is stored within an automated system, or outside the system on disks. Retain all records of OPEN-ACTIVE files until closed

(1) *Numbered transactions* Track procurement documents (contracts, purchase orders, delivery orders, BPAs, and so forth) through their procuring, receiving, paying actions by procurement document number. File and retrieve these documents by that number. Contracting officers assign a procurement identification number (PIN) to all authorized procurements. Use this number throughout the life of that procurement action, including all payments. Purchases made on SF 44 may have a locally designed non-PIN number, usually developed by the contracting officer. If so, these documents are tracked by that number. If you pay procurements for more than one contracting office and there is difficulty tracking SF 44 payments because the same number is used, work with the serviced contracting officers to design a code or numbering system that will not overlap.

(2) *Unnumbered transactions* Some authorizations do not contain a number, such as tuition payments, some medical payments, some claims or legal payments, or payments to military or civilian personnel. Track these transactions through their payment history by the social security number (SSN). If SSN or other number is unavailable, track these transactions using the name of person receiving the payment.

*d. Auditing payment vouchers.*

(1) Effective control of disbursements requires audit and approval of vouchers before they are certified for payment. The supervisor or lead clerk usually

performs this function. Adequate and effective statistical sampling procedures may be used to examine vouchers of \$2,500 or less (31 U.S.C. 3521). However, all payment vouchers for \$2,500 or more must be examined before they are certified for payment. When statistical sampling is used, use "Military Standard Procedures in Tables for Inspection by Attributes" to determine number of samples required according to the lot size and accuracy required. The principle objectives of voucher pre-audits are to determine whether--

(a) The required authorizations and approvals for the payment were obtained.

(b) The payment is permitted by law and is according to the terms of the authorizing document.

(c) The amount of the payment and the name of the payee are correct.

(d) The payment is not a duplicate.

(e) The accounting classification(s) is correct for the type of payment being made.

(f) The quantities, prices, and total amounts are correct.

(g) The goods received or services performed were according to the agreement.

(h) The discount taken is correct or the interest penalty added is correct.

(i) The payment due date on the voucher is the correct date under PPA.

(j) If the payment includes an interest penalty, the required explanation to the vendor of how many days and at what rate the penalty was computed is on the voucher or attached as a separate document.

(k) The vendor is not on the "Holdup List" or there is not an offset or stoppage action against the vendor.

(2) In most cases, the finance and accounting officer/defense accounting officer has delegated certifying authority to the vendor pay supervisor, or perhaps to a lead clerk. The pre-payment audit is performed by the person who is to certify the voucher for payment, since that person may be held accountable for the accuracy of the payment.

*e. Number of payments.*

(1) *Final payment.* If all goods are delivered at one time or services are completed at one time, make one final payment and close the contract action. If goods or services are delivered or performed over a span of time, there would be several partial payments but always mark the last payment as "Final." Furnish a copy of the final payment voucher to the contracting officer who issued the contract so that he/she may close the file.

(2) *Partial payments.* Unless the procurement document specifically forbids partial payments for partial delivery or performance, make partial payments for goods delivered or services performed and accepted. Since some contracts call for multiple deliveries and consequent payments, it is very important that, either manually or through a system, you keep an accurate record of the payments to avoid making duplicate payments.

(3) *Adjustments after the final payment* A supplemental payment to a vendor may be made after the final settlement voucher has been paid when it is clear from the facts, concurred with by the contractor and the contracting officer, that the voucher previously marked "final" was incorrect. Mark the supplemental voucher "Supplemental-Final" and refer to the previous erroneous final payment voucher. Keep all correspondence relating the facts of the case as part of the payment history.

#### **20-46. Specialty certificates required on payment vouchers**

a. *Negotiated settlement agreements* When payments are made as settlements negotiated by the contracting officer, JAG, or other authorized adjudicating person or body, payments may be made without supporting documents if the following certification is printed or typed on the back of the voucher:

*"I certify that this payment is due and payable under the terms of the settlement agreement reached between the U.S. Government and the claimant (insert name or organization), and that the title of all property, if any, to be transferred to the U.S. Government under this agreement has been so transferred."*

(signature)  
(date)

Place the words "**Certificate on Reverse**" in the space for signature on the face of the voucher. Put the words "**Payment in Full Per the Referenced Settlement Agreement**" in the "ARTICLES OR SERVICES" block on the face of the voucher.

b. *Special certificate required on vouchers for contract field printing* Place the following supplemental certification on vouchers or on an attached paper on all payments for contract field printing:

*"I certify as responsible officer that the contract field printing covered by this voucher was procured per the applicable U.S. Government printing and binding regulations of the Joint Committee on Printing."*

(signature)  
(date)

This certificate must be signed by the responsible officer under whose authority the contract field printing is purchased.

#### **20-47. Payment vouchers**

a. The preferred payment voucher is the SF 1034, either the hard copy version or, more appropriately, a

computer-generated version. SF 1166 (Voucher and Schedule of Payments) may be used to avoid preparing individual vouchers if all the payments shown on the SF 1166 have the same, exact payment due date. The SF 1166 can be either a pre-printed or a computer-generated form. The SF 1164 (Claim for Reimbursement for Expenditure on Official Business) is used to pay military or civilian employees who had to use their own funds in an emergency situation (see paragraph 20-206).

b. Computer-generated payment vouchers can be printed on sensitized white bond paper in the number of copies required:

(1) Send the original payment voucher and the original invoice, to DFAS-IN.

(2) Keep one copy in the FAO/DAO retained accounts.

(3) Send one copy to the vendor, along with the check. If the payment includes an interest payment, the statement on the number of days and what rate was used to compute the interest must be on the voucher or on a separate sheet which is sent to the vendor.

(4) On a transaction for others (TFO), send one copy with the TFO.

(5) On a final payment, send one copy to the contracting officer. Mark it "**For the contracting officer-final payment**"

#### **20-48. Interagency transactions**

When one U.S. Government agency furnishes goods or services to another agency, there are certain responsibilities on both the billing and the billed agencies (see paragraphs 20-169, 20-170, and 20-204).

a. The billing agency must-

(1) Send bills to another agency only after there is evidence of actual receipt or shipment of goods to the billed agency.

(2) Establish a reasonable billing schedule agreed to by both agencies.

(3) Prepare each bill so that the billed agency can readily identify the related order.

(4) Promptly collect the accounts receivable established from the bill.

b. The billed agency must-

(1) Establish a system for verifying receipt of goods or services.

(2) Pay the bills within 15 days without audit or certification. However, regular follow-up procedures must assure that ordered goods or services were received.

(3) Inform the billing agency of any deficiencies in the order so that an adjustment can be made on future bills. The billing agency may submit disputed interagency bills for settlement to the U.S. General Accounting Office, Office of the General Counsel, ATTN: Judgement Group, Room 1103, 441 G. Street, N.W., Washington D.C. 20548-000.

## 20-49. Duplicate or erroneous payments

a. Given the volume and dollar amounts of payments processed through vendor pay, it is necessary to have excellent procedures to avoid making the same payment twice or paying an erroneous amount. Most automated systems now have a payment history file which, if properly maintained, provides an excellent audit trail of payments made against each procurement document. However, systems cannot replace the human ability to be alert for situations which might cause a duplicate or erroneous payment. Vendor pay personnel must be particularly alert for the possibility of duplicate payments in the following situations:

(1) Payments have been delayed for extended periods after the due date and duplicate invoices have been received from the vendor.

(2) Invoices or bills appear to have been submitted to more than one location—for example, to both the vendor pay office and to the receiving activity or to the contracting officer.

(3) Adjusted invoices are received after payments have been made.

b. If a duplicate or erroneous payment has been made, the vendor pay supervisor will inform the accounting division to establish a refund receivable to offset from future payments to that vendor or to start collection action.

## Section VI Discounts

### 20-50. Discount offers

When the procurement document includes a discount offer, take the discount if the offer is cost-effective (paragraph 20-51). Whether or not there is a discount offer in the procurement document, vendors can offer a discount or a different discount on their invoice. Take the discount which saves the U.S. Government the most money. Some vendors offer a descending scale of discount offers, such as: 1% if paid in 10 days, 1/2% if paid in 15 days, 1/4% if paid in 20 days. Take the offer that represents the most savings. If that one is missed, take the next offer, and so forth. No matter how many offers there are, report only one on the PPA report: either as offered and taken, or if all offers are lost, as offered and lost.

### 20-51. Cost-effective discounts

a. *The U.S. Treasury rate.* The U.S. Treasury Department has a formula to determine if the discount offer offsets the cost to the U.S. Treasury to borrow the funds earlier than is necessary under a normal 30-day payment. The U.S. Treasury establishes the rate for one calendar year at the beginning of each year. DFAS-IN sends a message to all vendor pay offices in January giving the rate for the year.

b. *The cost-effective formula.* Use the following formula to determine if a discount offer is cost-effective:

$$\frac{\text{Discount \%}}{1.000 - \text{discount offer}} \times \frac{360 \text{ days}}{\text{Time span to due date}} = \frac{\text{Effective Annual Interest}}{\text{Interest}}$$

For example, consider discount terms of 1% (.01) in 10 days, net 30 days, and the invoice was received on the third day. Application of the above formula to this discount offer shows that the effective annual interest rate is 15.8%:

$$\frac{.01}{1.000 - .01} \times \frac{360}{30-7} = 15.8 \%$$

If the U.S. Treasury percentage rate is 16 percent, the discount is not cost-effective and will be refused. Schedule payments based on the net-pay due date. When payment is made during the "net" period allowed, pay the gross amount. However, if for other reasons, make the payment within the discount period, take the discount. To avoid detailed computation, use the following values of 1% times (X) number of days, net 30 days:

Days Remaining In Offered Discount Period	Effective Annual Interest Value of 1 Percent
1	12.5%
2	13.0%
3	13.5%
4	14.0%
5	14.5%
6	15.2%
7	15.8%
8	16.5%
9	17.3%
10	18.2%
11	19.1%
12	20.2%
13	21.4%
14	22.7%
15	24.2%
16	26.0%
17	28.0%
18	30.3%
19	33.1%
20	36.4%

(1) If the offered discount rate is other than 1%, first obtain the value at 1%, then multiply or divide to determine the value of the offered discount. For example, 1/2 % in five days, net 30 days: Value of 1% in five days is 14.5% then divided by 2 = 7.2%. Do not take the discount assuming the current U.S. Treasury rate is 16%. The discount should be

classified not cost-effective/refused and payment should be scheduled during the "net" period allowed.

(2) If the period for net payment is other than net 30 days, compute the discount as shown in paragraph b. above.

c. *Additional factors.* There are other factors to consider when determining if a discount offered is actually saving U.S. Government funds. Take discounts offered which result in a saving of \$10 or less if no special handling is required. Do not take the discount if special handling is required to take advantage of a discount offer of \$10 or less, it is not considered cost-effective. Report all discounts offered on the PPA report and reason given for those not taken.

#### **20-52. Supporting documents**

Activities/contractors/vendors will provide documents to support all payments, discount or non-discount. If a discount offer cannot be taken because supporting documents/information (authorizing document, receiving and acceptance report, and invoice) do not reach the vendor pay office, four or more days before the end of the discount period and the offer cannot be taken, report the offer on the PPA report as offered and not taken due to late receipt of supporting documents.

#### **20-53. Discount payment periods and due dates**

a. The due date for discount offers is the last day of the discount period. Discount payment periods are only computed from the date of (on) the invoice (the date the vendor puts on the invoice). If there is no date on the invoice, use the date it reaches the designated billing office if the invoice was date-stamped. Take specific discount offers on the invoice without considering the date on the invoice.

Examples of specific offers are: 1% if paid by May 10th; 1/2% if paid on or before November 15th.

b. Schedule payment on the last day of the discount period. If that date is a weekend or Federal holiday, issue the check on the next workday. If the discount due date is missed, schedule the payment as a normal 30-day payment and do not take the discount. Take discounts only if the payment will be made on or before the last day of the discount period.

c. If a discount is erroneously taken and not refunded before the due date, refund the amount of the discount and compute interest on the refund amount from the day after the net due date through the date the refund check is issued.

### **Section VII**

#### **Transportation Accounts**

#### **20-54. Responsibilities**

a. The Secretary of Defense has designated the Secretary of the Army (SA) as single manager for military traffic, land transportation, and common-

user ocean terminals. The SA has established the Military Traffic Management Command (MTMC) as the Single Manager Operating Agency for all transportation for DoD components, except ocean and airlift services.

b. Transportation officers procure transportation and related accessorial or special services. They arrange to transport or store military goods, privately owned household goods (HHG), baggage, mobile homes, and other items entitled to be transported or stored at U.S. Government expense. They also arrange to move military and civilian personnel under orders authorizing transportation at U.S. Government expense.

#### **20-55. Rates governing transportation**

Pay the full applicable commercial rates, fares, or charges for transportation by any common carrier of any persons or property for the U.S., or in its behalf. However, pay a lesser rate if the contract or agreement between the U.S. Government and the carriers, or unilateral offers from carriers, permits it.

#### **20-56. Transportation payments**

a. Pay bills from carriers and forwarders 30 days after they reach the designated billing office. The designated billing office for most transportation payments is the transportation officer. Do not use actual nor constructive acceptance to compute the payment period. These payments are under PPA and interest is due if they are late. Transportation bills must be certified by the carrier that the shipment has been delivered in good order and condition.

b. Do not pay the following bills without additional evidence necessary to validate the bill for payment: (NOTE: Required validation comes from the transportation officer.)

(1) An assignee bank or financial institution under the authority of 41 U.S.C. 15.

(2) Payees who are in bankruptcy proceedings or are subject to the control of a receiver, trustee, or other similar representative.

(3) Payees who consistently fail to refund overcharges without valid reasons when notified by GSA or any other U.S. Government agency.

(4) Payees who, without good cause, are slow to settle loss or damage or other claims.

(5) Payees who owe substantial sums of money to the U.S. Government for which no adequate settlement arrangements have been made.

(6) Payees in such bad financial condition that the U.S. Government's best interests require special payment rules for their accounts.

(7) Payees who do business with the U.S. Government infrequently and who have not previously been administratively approved for payment.

(8) Any other person or business organization administratively determined ineligible for valid reasons. If General Service Administration (GSA)

does not object and the facts show that the U.S. Government's best interests are not jeopardized, make payments to the above categories 30 days after the transportation officer received the bill. The transportation officer evaluates and approves each carrier or forwarder's performance to make this decision.

#### **20-57. Correct rates and overpayments**

*a. Statutory provisions*No finance and accounting officer/defense accounting officer or certifying officer will be held liable for overpayments made for transportation furnished on U.S. Government Bills of Lading (GBL) or Transportation Request (TR) when the overpayments result from improper transportation rates, classifications, or from failure to deduct the proper amount (31 U.S.C. 3322 and 31 U.S.C. 3528).

*b. Post payment audit*Send originals of all paid transportation documents to General Services Administration, ATTN: FWAJ, 18th & F Streets, N.W., Washington, D.C. 20405-0000, for audit. GSA checks the carrier's rates for correctness during this audit and GSA takes appropriate action if improper rates were used.

*c. Collection of overpayments*In general, collect overpayments reported by GSA from the post audit by offsetting amounts due the carrier. Inform GSA if you do not have, and are not likely to have, a subsequent voucher to collect an overpayment. GSA then handles it as a U.S. claim against the payee.

*d. Payments subject to review*Pay carriers their invoiced amount for personal property transportation on GBLs, including contract services for local drayage, storage, packing, and so forth. This includes the excess of the authorized weight allowance, whether any reimbursement has been or is to be collected for the excess. However, the authority to pay carriers their billed amount does not keep GSA from deciding if the finance and accounting officers/defense accounting officers or certifying officers are pecuniarily responsible for failing to collect the overpayment.

*e. Certification and excess cost*When a service member ships personal property on a GBL as part of a permanent change of station (PCS), the carrier is entitled to payment prior to GSA audit or settlement. The certifying officer will not be held financially liable for these payments, even though the service member is liable for a portion due to excess weight.

*f. Overpayments resulting from contractor overcharges*If overpayments have been made to a transportation company from overcharges made to a cost-plus-a-fixed-fee contractor who, in turn, has been reimbursed by the U.S. Government, GSA sends notices of such overpayments to the Director, DFAS-IN, ATTN: DFAS-IN/FTGB, 8899 East 56th Street, Indianapolis, IN 46249-0621. DFAS-IN makes deductions from subsequent carrier bills and tells both GSA and the carrier. From that point on, the

correctness of the original deductions is a matter to be settled between the carrier and GSA. Refer all questions from carriers about whether the original deductions were correct to: General Services Administration, ATTN: FWAJ, 18th & F Streets, N.W., Washington, D.C. 20405-0000.

#### **20-58. Payments made by DFAS-IN Transportation Operations**

*a. GBLs, TRs, and DD Forms 652 (Meal Ticket)*. Except as provided in paragraphs 20-59 through 61,

DFAS-IN Transportation Operations pay all transportation accounts for DA, U.S. Air Force, Defense Logistics Agency (DLA), and Office of the Secretary of Defense for service within the continental United States (CONUS). This includes combination land and ocean movements using through rates and through GBLs via coastal and inter-coastal routes. GBLs as used here means SF 1103, unless otherwise specified. (See paragraph 20-61 concerning payments made by designated disbursing officers (DOs) outside CONUS.)

*b. Transportation to or from the United States and within designated overseas areas*DFAS-IN, Directorate for Transportation Operations pays for the following transportation services:

(1) From, to, and within Alaska and Canada.

(2) From and to Mexico border points by surface transportation.

(3) From and to points in Mexico by air, including combination land and ocean movements under through rates and through GBLs.

(4) Air transportation service from or to a foreign country, when billed in U.S. currency and procured with the documents indicated here.

(5) Transportation services within or between foreign countries when the services are procured on SF 1169 (The U.S. Government Transportation Request) and/or a GBL from a U.S. flag carrier and charges are payable in U.S. currency. (See paragraph 20-61 concerning payments to be made by designated DOs outside CONUS.)

(6) Miscellaneous charges such as demurrage, storing, icing, salting, re-weighing, switching, drayage, hauling, and so forth, in shipments under GBLs issued in subparagraph a above. These bills cover services incident to the line-haul carrier station-to-station movement. They include necessary service to make delivery at consignee's place of business that, if performed by the line-haul carrier at consignee's request, results in an additional charge directly related to the bill of lading charge.

*c. HHG shipments*(See Section XIII.)

*d. Invoices stated in Canadian dollars*CONUS finance and accounting officers/defense accounting officers upon receipt of transportation invoices stated in Canadian dollars and payable from appropriated funds will forward with related contracts to the DFAS-Indianapolis Center, ATTN: DFAS-IN/INAV,

Department 3800, 8899 East 56th Street,  
Indianapolis, IN 46249-3800.

#### **20-59. Local accounts payable payments**

*a. Miscellaneous charges on shipments on commercial bills of lading*The local servicing vendor pay office pays without purchase order bills for miscellaneous charges (such as storage, re-weighing, local drayage, hauling, and so forth) on:

(1) Shipments under prepaid commercial bills of lading.

(2) Shipments when no line-haul GBL is involved.

(3) Delivery charges when services are performed by other than the GBL line-haul carrier or carrier's agent. (See paragraphs 20-60 and 20-61.)

*b. U.S. Army, Europe (USAREUR) payments*The USAREUR, the 266th Theater Finance Command (TFC) is designated as the local vendor pay office to pay this type service. The 266th TFC collects all excess weight charges to move HHG in the USAREUR area of responsibility. This includes all HHG movements from, to, and within the USAREUR area via transportation services procured with approved commercial line-haul rate and service tenders and local drayage service contracts. The 266th TFC payments will not include any portion of services rendered through GBL carrier movements between CONUS and foreign countries.

*c. Local expenses incident to travel*The accounts payable office, at or near the headquarters of the transportation officer in whose area the travel originated, will make payments for toll bridge, ferry, or highway charges. (See Chapter 40 of this regulation for procedures for submitting bills for services rendered.)

*d. Local Payment of Airlines (LOPA) or Government Travel System (GTS)*The vendor pay office at the installation on which the travel agency that handled the transaction is located or the vendor pay office at the installation which uses teleticketing equipment to get airline passenger tickets will make local payments for airline, rail, and bus passenger service. (See paragraphs 20-89 and 20-90 for LOPA and GTS payment procedures.)

#### **20-60. Payments by designated FAOs/DAOs outside CONUS**

The designated vendor pay office in the country where the movement originates will pay DA, Air Force, DLA, and Office of the Secretary of Defense (OSD) GBLs and TRs for services within or between countries outside the United States (including Hawaii). For instructions regarding payments to be made in foreign currencies, see paragraph 20-62 below. See paragraphs 20-63 and 20-64 respectively for instructions about payments by the Military Sealift Command (MSC) and civil function DOs of the Corps of Engineers.

#### **20-61. Offices designated to make payments**

The designated offices for making overseas payments are as follows:

*a. U.S. Army, Europe.*The FAO/DAO designated in the GBL or TR pays for all transportation services for the command except the following:

(1) The Finance and Accounting Officer, ADSN 677600, 401st Tactical Fighter Wing, APO AE 09283, pays all bills for internal commercial transportation services furnished in Spain.

(2) The Disbursing Agent Officer, 513th TAW, APO AE 09179, pays all bills for internal commercial transportation services furnished in the United Kingdom and Norway.

(3) The FAO, Headquarters, TUSLOG/ACF, APO AE 09254, pays all bills for internal commercial transportation services furnished in Turkey.

(4) The FAO, 7206 ABG/ACF, APO AE 09223, pays all billings for internal commercial transportation services furnished in Greece and Crete.

(5) The FAO, Mid East/Africa Project Office, U.S. Army Corps of Engineers, P.O. Box 2250, Winchester, VA 22601-1450, pays all transportation accounts for Saudi Arabia, Egypt, Jordan, Oman, and Kuwait.

*b. U.S. Army Pacific Command (USARPAC)*The DAO, U.S. Army Support Command, Hawaii, DSSN 6358, APO AP 96558, pays all transportation accounts for HHG and baggage shipped between U.S. Army elements in the Pacific command and within the state of Hawaii. They also pay for U.S. Army transportation requests when the carrier's head offices are located in the state of Hawaii.

*c. U.S. Army Accounting Office*The FAO, U.S. Army Finance and Accounting Office, Korea, DSSN 6411, ATTN: Commercial Accounts Branch, APO AP 96301, pays all billings for internal commercial transportation services furnished within the Republic of South Korea.

*d. Payments for U.S. Army, Japan.*

(1) The 69th Finance Group, Headquarters, U.S. Army, Japan, DSSN 6350, APO AE San Francisco 96343, pays all billings for commercial transportation services, other than GBLs, for mainland Japan and Okinawa. Specific services are HHG transportation charges, container rental costs, and bus service performed in Japan and paid in Japan to Japanese contractors.

(2) The 605TH AFS/FMFT, APO AP 96328-5000, pays all billings for GBLs for foreign-to-foreign travel or shipments in Japan. Specific services are for rail express shipments, line-haul GBLs, packing and crating charges, Japanese National Railway meal tickets, commercial taxi charges, and accessorial service charges.

#### **20-62. Foreign currency payments**

If foreign currency is specified, the commander of the area where the currency is indigenous designates the FAO/DAO to make settlement. When the travel or transportation movement covered by a GBL or TR

originates, terminates, and/or transits countries in which U.S.-owned foreign currencies are excess or near-excess to the foreseeable U.S. Government needs, the excess foreign currency is used as much as possible for payments. Generally, and in the absence of specific directives, payments in foreign currencies are made by routing the billing documents to the appropriate U.S. embassy. (See Chapter 40 and DoD 7000.14-R, DoDFMR, Volume 5.) If payment is specified in Canadian dollars, Defense Finance and Accounting Service-Indianapolis Center, Department 3800, 8899 East 56 Street, Indianapolis, IN 46249-3800, settles the account.

#### **20-63. Military Sealift Command (MSC) payments**

The MSC DO serving the area, in which the shipment originates, pays DA, Navy, and Air Force, DLA, and Office of the Secretary of Defense GBLs issued for transoceanic service arranged by MTMC. Forward these transportation accounts to the appropriate MSC area commander for payment by the Navy Regional Finance Center, Washington, DC 20371.

#### **20-64. U.S. Army Corps of Engineers (USACE) payments**

The USACE finance and accounting officer, designated by the FSN to settle the accounts of the specific project, pays transportation accounts payable from U.S. Civil Funds (Departmental Code 96).

#### **20-65. Claims settlement for prepaid transportation costs**

The vendor pay office designated, in the procurement document, to make payment will also make reimbursement for a vendor claim arising from prepayment of transportation costs base on a procurement document. The reimbursement may be made either in full or partial amount, whether or not the procurement document provides directly or indirectly for shipment at U.S. Government expense. The cost may be learned from the area MTMC in the geographical area in which the requester is located. Forward doubtful cases to General Services Administration, ATTN: FWAJ, Washington, DC 20405-0000, through the DFAS-Indianapolis Center, ATTN: DFAS-IN/GL, Mail Stop 22, 8899 East 56th Street, Indianapolis, IN 46249-0160, for consideration. Do not send or instruct a vendor to send such a claim to DFAS-IN Transportation Operations. DFAS-IN Transportation Operations pays transportation accounts only when shipment is on a GBL and the carrier submits a properly certified bill.

#### **20-66. GBL payments**

*a. On original document only* Pay transportation charges 30 days after the original completed GBL reaches the designated billing office. A carrier certification at the bottom of the document must be

completed. Do not make payments on other copies except as provided in b below.

*b. When the original document is lost* When the original GBL has been lost, make payment on the original SF 1105 (U.S. Government Freight Waybill) certified on the reverse by the issuing transportation officer. The reverse must have a properly executed delivery certificate identical to that on the face of the original bill of lading. If the original freight waybill is also lost, make payment on a certified true copy of the issuing office's memorandum copies (SF 1103a (U.S. Government Bill of Lading-Memorandum Copy) and SF 1131a (U.S. Government Transit Bill of Lading Memorandum Copy)) properly certified on the reverse by both the shipper and the carrier.

#### **20-67. Notations required on GBLs**

*a. General.* Pay GBLs only when they have prescribed notations and supporting papers.

*b. Notification of improper preparation* If GBLs do not have the prescribed notation, have incomplete or incorrect notations, or do not have the correct supporting papers, notify the appropriate transportation officer. If no response is received from the transportation officer, inform MTMC, ATTN: MT-INOQ, Washington, DC 20315.

#### **20-68. GBL Carrier billing**

Carriers must use an original SF 1113 (Public Voucher for Transportation Charges) to bill for transportation charges furnished on SF 1103 or SF 1169. The U.S. Army Publication Distribution Center does not stock SF 1113. Carriers must buy the form from the GSA Regional Center located in their geographical area or print a form which conforms with the SF 1113 format. Computer-generated forms are acceptable.

#### **20-69. Appropriations or funds chargeable to transport supplies**

*a. When title to property has passed to the U.S. Government.* Transportation charges for materiel shipped from one U.S. Government installation to another, after title to the property has been vested in the U.S. Government, are not considered part of the contract expense in buying the material. These charges are an independent obligation arising under the transportation service contract. Therefore, charge these expenses to the appropriation current at the time the transportation was performed. If supplies are damaged in shipment, the installation which shipped the merchandise pays for the repairs.

*b. Post Exchange supplies* Charge payments for transporting supplies for U.S. Army and Air Force Exchange Service (AAFES) exchanges to the AAFES funds.

*c. Procurement and delivery in different fiscal years.* When supplies are bought for use at a distant station but are to be delivered to the U.S. Government free-on-board (F.O.B.) at the place of manufacture, and

their transportation is not ordered nor accomplished until the next fiscal year, the transportation contract is separate from the purchase contract. Accordingly, charge the transportation cost to the funds that are current when the service is performed.

#### **20-70. Savings in GBL freight charges**

Shipment to the designated destination from a point nearer than the F.O.B. point does not entitle the contractor to the savings in freight charges over what the U.S. Government would have paid if shipment had been from the F.O.B. point. This is true even though the supplies cost the contractor more at the shipping point than they would have cost at the F.O.B. point.

#### **20-71. Premium GBL transportation**

When the contractor requests premium transportation at a greater cost than the lowest available to the U.S. Government and the contractor has agreed in writing to reimburse the U.S. Government for the excess costs, the origin transportation officer will inform the FAO/DAO by letter. The letter must cite, in addition to the cause for the excess costs, the number of GBLs involved and the name and address of the contractor requesting the premium transportation. Attach the original request from the contractor for premium transportation to the letter. The office who pays the carrier for the transportation charges computes the excess cost and makes collection action.

#### **20-72. General Services Administration (GSA) claims**

When a contract requires the contractor to deliver at an F.O.B. point and allows the U.S. Government to direct delivery to other points, with an increase or decrease in the amount and cost of the freight, do not make the adjustment if the contractor refuses to accept payment on the usual basis. If the contractor contends that transportation expenses have been paid, which the U.S. Government was obligated to pay or that the deduction made from freight paid by the U.S. Government is excessive, send the case to General Services Administration, ATTN: 18th & F Streets, N.W., Washington, D. C. 20405-0000, for direct settlement as a claim.

#### **20-73. Payment Procedures for U.S. Government Transportation Requests and DD Form 652s (Meal Ticket)**

*a. Notations required on transportation requests (TRs) and DD Forms 652.*

(1) Make payment when the TR or DD Form 652 have the proper notations and the correct supporting papers are attached.

(2) When TRs or DD Forms 652 do not have the prescribed notations, have incomplete or incorrect notations, or lack the required documents, notify HQs

MTMC, ATTN: MT-OPQ, 5611 Columbia Pike, Falls Church, VA 22041-5050.

*b. Action required when improperly furnished.* If it appears that the issuing officer improperly furnished transportation or meals, the paying office pays the carrier or vendor for the service actually rendered or meals furnished. After payment, vendor pay personnel will ask the issuing officer for the authority upon which such transportation or meals were furnished.

*c. Personal documents lost or destroyed.* If passengers lose or destroy SF 1169's or tickets issued on SF 1169's, they will buy necessary transportation with personal funds or be issued a cost-charge SF 1169 in order to complete the mission. Passengers may then file a claim for reimbursement.

*d. Requests to MTMC.* Installation vendor pay offices will send all requests about passenger rate quotations to HQs, MTMC, ATTN: MT-OPQ4, 5611 Columbia Pike, Falls Church, VA 22041-5050. Forward all requests for claims information to HQs, MTMC, ATTN: MT-OPQ, 5611 Columbia Pike, VA 22041-5050.

*e. Paying DD Forms 652.* The vendor submits the original DD Form 652, attached to an invoice. Pay on an SF 1034. The payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034. Before payment, check the meal ticket for a properly completed vendor's certification and see if it agrees with the certification made by the service member who received the meal or the service member in charge of the party. Anyone who alters a meal ticket after it has been issued must initial and date the alteration. Charge the appropriation and allotment cited on the meal ticket with the payment amount. Do not require copies of travel orders. If more than one meal ticket is billed, it is not necessary for the vendor to complete the certificate on each meal ticket if the numbers of all the DD Forms 652 are listed. In such cases, the vendor will type and sign a certification statement and attach it to the invoice. These payments are due 30 days after they reach the vendor pay office. Interest is due on late payments. Report these transactions on the PPA report as subject to PPA.

*f. Lost or destroyed DD Forms 652.* When a vendor has lost or inadvertently destroyed a meal ticket and the facts establishing that the service was furnished are clear, the issuing officer will prepare and issue a certified true copy of the original from the retained duplicate copy. The vendor uses this certified true copy to bill the DFAS-IN, Transportation Operations.



## **Section VIII**

### **Payment Procedures for Personal Property Shipments**

#### **20-74. Entitlement regulations**

Basic rules for determining military and civilian personnel entitlement to move personal property at U.S. Government expense, including privately owned vehicles (POVs) and mobile homes are in the Joint Travel Regulations (JTR), Volume 2, and the Joint Federal Travel Regulation (JFTR), Volume 1. When personal property is shipped by commercial carrier, use GBLs, where acceptable, to buy the required services. Do not use a GBL for civilian employees being reimbursed using the commuted rate method.

#### **20-75. Supporting papers submitted by carriers**

*a. Voucher and supporting papers required to pay for personal property shipment* Carriers submit the following documents:

- (1) Original SF 1113.
- (2) Original SF 1103 or SF 1113 with completed delivery certificate.
- (3) DD Form 619 (Statement of Accessorial Services Performed) properly prepared if such services have been rendered.
- (4) Legible copy of weight certificate.

*b. Voucher and supporting papers required to pay for shipping mobile dwellings* A commercial motor carrier and all other mobile home carriers must submit-

- (1) Vouchers as prescribed in subparagraph a above. The SF 1103 or SF 1113 is not required when the dwelling has been placed in storage-in-transit and a storage certificate has been presented.

- (2) Original DD Form 619 properly completed if services have been performed.

- (3) Legible copy of weight certificate, if charges are based on weight.

*c. Ocean freight bill and certificate to use foreign flag service.* A commercial motor van carrier and all other HHG carriers must also submit:

- (1) An ocean freight bill to support a GBL that involves overseas HHG transportation.
- (2) A justification certificate for using a foreign flag aircraft or vessel (DoD 4500.34-R, Military Standard Transportation and Movement Procedures (MILSTAMP )) approved by Air Mobility Command or the MSC, as appropriate. Sample formats for these certificates are shown in DOD 4500.34-R. .

#### **20-76. Documents required from origin transportation officers on personal property shipments**

*a.* The origin transportation officer will furnish the following documents to all paying offices except DFAS-IN, Transportation Operations:

- (1) Memorandum copy of SF 1103 or SF 1113 or other pertinent shipping documents (annotated by

motor van carrier to show weight, rate, and accrued charges just prior to line-haul movement).

(2) Other required documents that authorized the shipment.

- (3) Legible copy of weight certificate.

*b.* Forward bills for personal property shipments within CONUS directly to DFAS-IN, Transportation Operations for payment.

*c.* For shipments between CONUS and Alaska, Canada, and overseas areas (including service within Alaska and Canada), forward the following bills to DFAS-IN, Transportation Operations for payment:

(1) HHG/unaccompanied baggage shipments under GBLs, including those packed to be shipped via rail or motor freight or freight forwarder.

(2) Uncrated shipments by commercial van carriers between CONUS, Alaska, Canada, and overseas areas, including service within Alaska and Canada.

(3) Shipments of mobile dwellings between CONUS and Alaska. (See paragraph 20-60 about payments to be made by designated FAOs/DAOs outside CONUS.)

*d.* For shipments to, from, and within Mexico, submit bills for personal property shipments to, from, and within Mexico as follows:

- (1) To DFAS-IN, Transportation Operations when-

(a) GBLs are issued for shipments within CONUS from and to points of entry by surface transportation, and

(b) For through bill of lading service between Mexico and CONUS by commercial air.

(2) To the FAO/DAO designated by the commander in the area concerned for personal property shipments within Mexico, including service from and to points of entry. (See paragraph 20-60 about payments to be made by designated FAOs/DAOs outside CONUS.)

*e.* The following organizations pay for personal property and baggage shipments by commercial carriers on GBLs, U.S. Government warrants, purchase orders, and contracts within or between overseas commands or foreign countries:

(1) DFAS-IN, Transportation Operations when service is procured on GBLs and payment is to be made to an American carrier or freight forwarder in U.S. Dollars.

(2) The FAO/DAO designated by the commander in the area concerned when-

(a) Local carriers provide services for transportation within the area concerned and to other adjacent overseas areas.

(b) Vendor pay personnel use local transportation documents, approved by GSA.

(c) An American freight forwarder is providing services wholly within the command concerned on GBLs when local carrier rates provide lower transportation costs.

#### **20-77. Shipments for civilian employees-commuted rate basis**

Civilian employees arrange these shipments rather than a transportation officer. Travel offices will reimburse civilian employees for these shipments on travel vouchers in accordance with Chapter 39.

#### **20-78. Regulations governing shipments**

Transportation laws and regulations contain the following provisions of which finance and accounting officers/defense accounting officers are required to be aware of.

*a. Weight allowances*Maximum allowances for military personnel are prescribed according to rank and dependency status, with the provision that HHG that exceed the authorized weight allowance may be shipped under the same GBL or contract if the owner will bear any excess cost. This provision is also applicable to shipments that exceed administrative weight limitations. For military personnel, see the JFTR, Volume 1; for civilian personnel, see JTR, Volume 2.

*b. Selection of the transportation method*n accordance with the JFTR and the JTR, the originating transportation officer designates the authorized mode of transportation for a given personal property shipment. If there is nothing to the contrary, vendor pay personnel accept the mode actually employed and the carrier used as the transportation officer's approved selection and the owner will not be liable for resulting excess costs.

*c. Special services*Special service, specific routing or loading, or any other service that costs more may be used if the owner bears the additional expense. The transportation officer who approves these special services must identify them as such and get the owner's written agreement to bear all extra expense. Whenever origin or destination transportation officers know that excess cost may exist, they will inform the paying office.

#### **20-79. Determining and collecting excess cost**

*a.* The FAO/DAO who pays the carrier for personal property transportation services is responsible for determining and collecting any excess costs from the service member or civilian employee. If payment is not made for such services by DFAS-IN, Transportation Operations, the FAO/DAO will send a copy of the shipment information to DFAS-IN to be associated with any other shipment and/or storage records under the same travel order. DFAS-IN, Transportation Operations reviews all records on hand, including the shipment or services for which it did not make payment, and determines any excess cost. DFAS-IN, Transportation Operations initiates the collection action in all cases except for those shipments or services that were paid by another FAO/DAO as the only transaction under the travel order. DFAS-IN, Transportation Operations notifies the paying office in either case. Collection actions

initiated by DFAS-IN or an FAO/DAO will be directed through the FAO/DAO currently paying the service member. The service member pays the total amount of the excess costs.

*b.* If owners for any reason consider the amount paid to be erroneous or excessive, they may file a claim with U.S. General Accounting Office, Office of the General Counsel, ATTN: Judgement Group, Room 1103, 441 G Street N.W., Washington D.C. 20548-0000, for refund of the amount they consider due.

#### **20-80. Excess cost on Military Sealift Command (MSC) vessels or charters**

*a. Personal property other than POVs*Compute costs to be borne by civilian employees or service members to move excess personal property aboard MSC vessels that are billed in measurement tons (MTONs) of cargo on a ratio basis. Use the proportion of excess pounds to the actual pounds shipped on the bill of lading to determine the proportionate part of the cubic measurement billed by MSC to charge to the civilian employee or service member as excess.

*b. POVs.* Civilian employees or service members who ship a POV that exceeds 20 MTONs must pay all identifiable costs above 20 MTONs, not to exceed the cost the U.S. Government must pay for the shipment.

#### **20-81. Excess cost on commercial vessels**

Commercial vessels may ship personal property within the prescribed weight allowance at U.S. Government expense. Charge "general average contributions" (see Glossary) costs on weight which exceed prescribed allowances to the civilian employee or service member, in addition to the excess in paragraph 20-79.

#### **20-82. General average contributions**

Process personal property shipments as military cargo for general average purposes. Immediately after learning that general average has been declared with any personal property shipment, the MSC will receive a personal property release without any bond or other security being furnished by either the Department or the person owning the personal property. MSC will inform the general average adjuster that the shipment was made under U.S. Government cognizance, which is fully responsible for all expenses in connection with the shipment. It is not necessary for the individual owner to post bond to get the goods released. The MSC determines and settles claims for general average contributions by or against personal property.

#### **20-83. Storage and drayage charges**

*a. Storage in transit.*Short term temporary storage of civilian or military personnel's HHG is authorized so long as it is in conjunction with a PCS move and

the storage is as a result of that move. Short term temporary storage is charged on a GBL and is included as a part of the normal HHG movement. Personal property placed in temporary storage by the service member or civilian employee is not included in this coverage. DFAS-IN, Transportation Operations, will pay storage, handling, and drayage charges when storage in transit is authorized on the GBLs and charges are payable to the line-haul carrier.

*b. Temporary and non-temporary storage at U.S. Government expense.*The JFTR and the JTR prescribes various situations in which military and civilian personnel are entitled to temporary and non-temporary storage of HHG at U.S. Government expense. This storage may be procured from outside contractors under standard U.S. Government contracts and payments processed as normal commercial accounts payable.

*c. Non-temporary storage excess costs*When the weight of HHG placed in non-temporary storage on a civilian employee's or service member's order, added to the weight shipped on that order, results in exceeding the civilian employee's (JTR) or service member's (JFTR) weight allowance, the civilian employee or service member is liable for all costs for packing, draying, handling, and storing the excess weight.

(1) The U.S. Government pays the contractor's invoice for the initial preparation, drayage, handling-in, and storage costs due.

(2) The transportation officer informs the FAO/DAO of the initial excess costs amount to be collected from the civilian employee or service member.

(3) The FAO/DAO issues DD Form 139 (Pay Adjustment Authorization) to collect from the civilian employee or service member the amount the U.S. Government paid the contractor for initial preparation, drayage, handling, and storage for the weight that exceeded that authorized for storage at U.S. Government expense.

(4) The transportation officer then notifies the contractor in writing, with a copy furnished the civilian employee or service member, that the:

(a) Civilian employee or service member has exceeded his or her authorized weight allowance.

(b) U.S. Government will only pay for weight the civilian employee or service member is authorized to store (specify the pounds authorized).

(c) Contractor must bill the civilian employee or service member directly for weight above the amount authorized to be stored at U.S. Government expense.

(d) The transportation officer will issue a supplemental DD Form 1164 (Service Order for Household Goods) showing the service member's authorized weight that is being stored at U.S. Government expense.

## **20-84. Draying, packing, crating, and uncrating**

*a. Governing regulations.*The JFTR and JTR govern basic entitlement to packing, crating, and uncrating authorized HHG and/or unaccompanied baggage shipments at U.S. Government expense.

*b. Excess weight.*The JFTR and JTR defines the authorized PCS HHG packing, crating, and uncrating expenses authorized to be shipped at U.S. Government expense. Expenses for HHGs that exceed the maximum weight allowance will be the responsibility of the owner.

*c. Performance.*Use existing DA facilities, when available and adequate, to perform authorized packing, crating, and uncrating. When not available or inadequate, use the available facilities of any service subject to JFTR and JTR. When service facilities are unavailable or inadequate, use a direct procurement method contract for commercial facilities. In certain cases, GBL carriers pack, crate, and uncrate as part of their service.

*d. Payment.*The DAO/FAO servicing the activity that ordered the HHG packed, crated, drayed, and unpacked (regardless of whether the services were procured for the U.S. Army, U.S. Navy, or U.S. Air Force) pays the contractor for the services. For appropriations to be charged, see DA PAM 37-100-FY. When the line-haul motor van carrier packs, crates and/or uncrates, include the carrier's charges with payment documents. (See paragraph 20-75.)

*e. Collection of excess costs.*

(1) The DAO/FAO making the payment to the contractor computes excess costs for services. The DAO/FAO notifies the personal property owner of the excess costs and takes action to collect. DFAS-IN, Transportation Operations, contacts the origin and destination installations to determine costs locally incurred for these services and any amounts which were collected locally.

(2) DFAS-IN, Transportation Operations, pays GBLs issued for accessorial services-or-to-transport personal property. DFAS-IN computes excess cost for shipments and services performed under GBLs or other shipping documents and the final excess cost for all services performed on a particular shipment.

(3) Compute and furnish excess costs for packing and crating services performed by the post engineers or by a direct contract to the local FAO/DAO for collection action. FAO/DAO's receipt acknowledgment is authority for the post engineers to clear the charges from their records.

(4) Take collection action for excess costs payable by civilian employee or service members. Such action may be referred to the FAO/DAO at the civilian employee's or service member's new duty station if circumstances so warrant. (See Chapter 15 for collection procedures.)

(5) Collections for excess costs are processed as an appropriation refund.

## 20-85. Evidence of local service

The following documents are required to pay for draying, packing, crating, and uncrating services under a local contract when GBLs are not used.

### *a. Inbound shipments.*

- (1) Local contract is required.
- (2) Local transportation officer statement that the services were authorized and performed.
- (3) Copy of the inbound GBL showing the accounting classification and citation to the travel orders. If a copy of the inbound GBL is not available, cite the accounting classification on the travel orders.
- (4) Require a weight certificate or statement from the contractor performing the services to certify the actual or estimated weight used on the billing. If the weight is estimated, the formula or method used to determine the weight must accompany the estimate. Submit the weight of professional books, papers, and equipment separately on the weight certificate.

### *b. Outbound shipments.*

- (1) Local transportation officer statement that the services were authorized and performed.
- (2) Copy of the civilian employee's or service member's travel orders.
- (3) Verification of weight (see subparagraph a (4), above).

### *c. Local moves (other than to a non-temporary storage facility).*

- (1) Cite the local contract.
- (2) Local transportation officer statement that the services were authorized and performed.
- (3) Copy of the order authorizing the move.
- (4) Weight verification (see subparagraph a.(4), above).

### *d. Other documents as required.*

- (1) Statement showing the authorized allowance in the JFTR or JTR.
- (2) Appropriate statement prescribed in Chapter 39 of this regulation when the service member is undergoing hospitalization or medical treatment.
- (3) Statement of detailed excess cost and furnish it to the vendor pay office by the individual who procures services. In addition, the transportation officer must tell the owner the estimated amount and reasons for the excess costs. The statement provided the vendor pay office must contain all pertinent details to facilitate computation and collection actions.

## 20-86. Shipments for military personnel detailed to other services

*a. Upon initial assignment.* The designated FAO/DAO or agent of the service issuing the orders authorizing the transportation procurement will pay transportation accounts to transport authorized personal property for U.S. Army service members detailed to the U.S. Navy, U.S. Air Force, U.S. Marine Corps, or U.S. Coast Guard, and service members of those services detailed to the U.S. Army for duty.

*b. Upon relief from duty.* The FAO/DAO or agent of the service procuring the transportation for the order-issuing service will pay transportation accounts when U.S. Army service members are relieved from duty with other military services or service members of other services are relieved from duty with the U.S. Army. Charge the amount to the appropriation of the service issuing the orders (NOTE: no transfer of funds is necessary.)

*c. Draying, packing, and unpacking costs.* When a service order under a basic agreement, a contract, or a purchase order is issued for personal property services (that is, packing, crating, draying, and unpacking) for a U.S. Navy, U.S. Air Force, or U.S. Marine Corps service member per PCS order, the FAO/DAO servicing the activity that ordered the services will pay the contractor. For appropriations chargeable, see DA PAM 37-100-FY. Take necessary collection action before the service member leaves the installation. If this is not possible, refer the action to the FAO/DAO at the service member's new duty station.

## 20-87. Transportation and accessorial charges to carriers

*a. Paying transportation charges.* A carrier is entitled to be paid transportation charges from point of shipment to destination storage point when-

(1) HHG, unaccompanied baggage, and mobile dwellings are shipped for the U.S. Army, U.S. Air Force, Defense Logistics Agency, Office of the Secretary of Defense, and military and civilian personnel.

(2) Shipments are stored in transit for the carrier at destination storage point for ultimate delivery to consignee.

(3) The carrier hauling the shipment to a destination storage point certifies over the signature of its duly authorized representative as follows:

*The household goods/unaccompanied baggage described on (GBL number) were placed in the carrier's storage warehouse at (destination warehouse) on (date).*

*or*

*The mobile dwelling was placed in destination storage (designated location) on (date)*

*and*

*such shipment will be permitted to remain there for a period of (number of days) or such short period as may meet the consignee's or owner's demands. Carrier(s) hauling the shipment to the designation storage point assume(s) full carrier liability for the shipment during such storage and until delivery is made to the consignee or owner within the designated storage period. The warehouse named above may voucher and receive payments from the U.S. Government as an agent of the carrier for all storage-in-transit charges authorized on the GBL described above.*

*(line-haul carrier)  
(signature and title)  
(carrier representative)*

*b. Certification.*

(1) The contractor will make the above certification on the covering GBL. If space is not available on the GBL, the certification with reference to the appropriate GBL number may be made on plain paper and securely attached to the GBL.

(2) The carrier may, at its option, include in this certificate a statement designating the warehouse, and its location, as the carrier's agent to receive payment in the name of the U.S. Government for all storage-in-transit and delivery-out charges (and other applicable related charges) authorized by the GBL to which the certificate pertains. In these situations, a signed duplicate copy of the certificate is attached to the supplemental bill covering the charges.

*c. Paying additional accessorial charges.* Pay any additional accessorial charges to the line-haul carrier who claims them on an SF 1113 which accrue against the shipment after delivery into storage. The claim will bear the same bill number as the carrier's original bill for transportation charges with a letter suffix added (for example, No. 12345-A). However, when the carrier designates an agent to bill these charges, the same bill number (with a letter suffix) as the line-haul carrier's original bill for transportation charges need not be shown on a supplemental billing. The supplemental billings for accessorial charges will-

(1) Identify the GBL covering the line-haul transportation service or furnish a copy of the GBL.

(2) Furnish a signed duplicate copy of the certificate of waiver issued by the line-haul carrier.

(3) Show the basis for the accessorial charges claimed.

(4) Contain an original DD Form 619 (Statement of Accessorial Services Performed) for the services rendered at destination, signed by the owner or transportation officer and the carrier's authorized representative, that shows-

(a) The date the accessorial services were ordered and furnished.

(b) The date the consignee or owner received the shipment.

(c) Any loss or damage to the shipment, if any (NOTE: Use REMARKS block for this information).

(d) The net weight of the shipment delivered from the storage in transit (from the carrier's tender of service).

**20-88. Reimbursement to individuals for expenses incurred shipping household goods (HHG)**

*a. Submitting claims.* Individual will submit claims for reimbursement for shipping HHG and baggage at personal expense to the local FAO/DAO for payment. (See Chapter 39 of this regulation for procedures and documents required.) Pay these claims as soon as possible.

*b. Claims for general average contribution.* Charge claims from personnel for the amounts of their

general average contributions, when authorized, to the accounting classification cited to transport the baggage, HHG, and personal effects. The appropriate claims officer will process claims as expeditiously as possible for payment.

**20-89. The local payment of airlines (LOPA) system**

The LOPA system is for local payment for airline, train, or bus passenger service. The system uses a single SF 1169 (The United States of America Transportation Request) as authority to procure multiple tickets over an established period of time. The LOPA system provides a service to DoD and U.S. Coast Guard military and civilian members. It is applicable to any installation on which a travel agency is located. It may also be used at an installation that uses teleticketing equipment to obtain airline, train, or bus passenger tickets. The FAO/DAO on the installation where the travel agency is located pays for LOPA service.

*a. Processing LOPA vouchers.* The transportation officer verifies, at the end of each ticketing period, that the tickets covered by SF 1113 were received and the price shown on the individual DA Form 4556 agrees with the amount shown on the ticket listing. The carrier's designated representative must sign the SF 1113. The transportation officer then completes the administrative certificate on SF 1113 and sends it with SF 1113 (triplicate) to the vendor pay office at the end of the ticketing period. The payment due date is 30 days after these documents reach the transportation office (TO); the payments are subject to PPA and interest is due on late payments. The transportation officer will send the following supporting documents to the vendor pay office:

(1) Original SF 1113 with the original SF 1169, original DA Form 4556 (Airline Service Request), and the original ticket listing.

(2) Duplicate SF 1113 with copies of SF 1169, copies of DA Form 4556, a copy of the ticket listing, and copies of each travel order.

(3) Triplicate SF 1113 without supporting documents.

*b. Voucher payment.* After receiving SF 1113, vendor pay personnel will do the following:

(1) Verify that the appropriate documents are attached.

(2) Verify that the total amount the carrier claims on SF 1113 is the total of the amounts shown on the individual DA Forms 4556 and the amounts shown on the ticket listing.

(3) Promptly coordinate with the transportation officer any differences in amounts claimed and amounts shown on supporting documents so that payment may be made without delay.

(4) Verify the accounting classification chargeable for each ticket on DA Form 4556 with the related travel order. Individual amounts chargeable are grouped under the appropriate accounting

classification and totaled. The sum of the accounting classification subtotals must agree with the total amount of SF 1113. Enter the complete accounting classifications and total amount chargeable on each SF 1113 or a continuation sheet. If available, use an ADP created listing to accumulate the accounting classifications subtotals.

(5) After posting the payment data to the bills register, forward the paid copy of SF 1113 to the transportation officer.

*c. Entry on DD Form 1588 (Record of Travel Payments).* After verification and correction, send a copy of each DA Form 4556 for posting to the office that has the traveler's DD Form 1588. Follow the procedure prescribed in Chapter 39 of this regulation if the office that maintains DD Form 1588 is not known.

*d. Processing supplemental carrier claims.*

(1) *General* A supplemental bill represents a claim against the U.S. Government for an additional amount due on a ticket previously paid. The travel agency submits the supplemental bill (SF 1113) to the transportation officer with an explanation of the additional charges. The transportation officer adds the fund citation to the SF 1169, if it is not included on SF 1113 submitted by the carrier. The supplemental bill must bear the same SF 1169 number as the original bill, but with an added alpha suffix. (For example, supplemental bill number 123 would be shown as number 123-A, additional supplemental bills would be shown as number 123-B, number 123-C, and so forth.) Before sending it to the vendor pay office, transportation officers will review the claim and the original ticket; if the information on both agrees, transportation officers will complete SF 1113 as follows:

*"Previous payment (DO voucher no.) (date of payment), and (disbursing station symbol number)."*

vendor pay personnel will verify this information from the TO's copy of the original voucher.

(2) *Claims after the voucher is paid* Only claims arising from arithmetic errors on the original voucher are authorized to be paid at the installation. Forward all other claims to General Services Administration, ATTN: FWAJ, 18th & F Streets, Washington, D.C. 20405-0000.

(3) *Claims based on arithmetic errors* After receiving the supplemental SF 1113, the FAO/DAO identifies the chargeable accounting classification from the copy of the travel orders kept with the original voucher and enters it on SF 1113. Issue a check for the voucher amount 30 days after the supplemental SF 1113 reaches the vendor pay office. Send the check to the address indicated on the voucher stub.

(4) *Claims based on other than arithmetic errors.*

(a) After receiving the supplemental SF 1113, identify the chargeable accounting classification from

the copy of the travel order retained with the original voucher and enter it on SF 1113. Vendor pay personnel will send the original SF 1113 and the airline explanation to General Services Administration, ATTN: FWAJ, 18th & F Streets, Washington, D.C. 20405-0000, for settlement. Vendor pay personnel will inform the claimant that the claim has been sent to GSA and the date of the transmittal. Retain copies of SF 1113 in suspense until notified of settlement.

(b) If the claim is approved, GSA authorizes payment on General Accounting Office (GAO) Form 39 and sends it to the vendor pay office which submitted the SF 1113. The vendor pay supervisor receipts for and returns the transmittal letter to GSA. The finance and accounting officer/defense accounting officers issues a check for the authorized amount and sends it to the claimant per the instructions on the stub of SF 1113.

(5) *Disapproved claims* If GSA disapproves the claim, they send a GAO Form 44 (Settlement Certificate) to the claimant and to the FAO/DAO who submitted the claim. GSA explains the reason the claim was disallowed on the GAO Form 44.

*e. Lost, stolen, or destroyed tickets* Travelers will report the loss of transportation tickets to the issuing TO and/or the carrier immediately upon realization of their loss. Travelers will then secure the necessary travel tickets utilizing his/her own funds (the individual Charge Card may be used for this purpose). The TO will assist the traveler in preparing a lost ticket refund application. A copy of this refund application will be filed with the traveler's settlement voucher along with the receipt for the purchase of the replacement ticket. The traveler will be reimbursed for the replacement ticket up to the amount of the original ticket. If the carrier determines that the ticket was used, the traveler will be required to refund the cost of the ticket. If the carrier determines the tickets were not used, appropriate collection will be initiated against the travel agent that issued the original ticket.

*f. Excess accompanied baggage procedure* A traveler whose travel orders authorize excess baggage pays the excess baggage charges directly to the airline at the time of flight check-in. If this procedure imposes an unwarranted hardship on the traveler, the traveler may obtain an advance from the FAO/DAO to pay the excess baggage fee or charge it to the individual charge card. If a SF 1169 is used for excess baggage, do not pay it locally. The carrier gets reimbursement for the charges per paragraph 20-58 above.

*g. Carrier-initiated refunds* If the travel agency initiates a refund to the U.S. Government, the transportation officer will prepare SF 1170 (Redemption of Unused Tickets) and DD Form 1131 to support the collection. The transportation officer sends the check, the carrier's explanation, SF 1170 (triplicate) and DD Form 1131 (triplicate) to the vendor pay office for processing. Vendor pay

personnel will identify the accounting classification originally charged from the copy of the travel order kept with the copy of SF 1113 on which the ticket was paid and processes the voucher under normal procedures as an appropriation refund.

*h. Airline overbooking* Tariffs of scheduled airlines require compensation to travelers if they fail to provide service as scheduled due to overbooking and overselling seats on the aircraft. This compensation is divided into two categories.

(1) Travelers are authorized to keep any compensation they may receive for voluntarily giving up their seat provided they meet scheduled work assignments and there is no additional cost to the U.S. Government.

(2) Compensation for involuntary bumping, or if there would be an interruption to the work schedule or additional cost to the U.S. Government, must be turned in to the FAO/DAO servicing the traveler. Checks for compensation in this case will be made payable to the U.S. Treasury. The traveler will give the check to the vendor pay personnel who will deposit it to miscellaneous receipt account 21R1099 (see DA PAM 37-100-FY).

## **20-90. The U.S. Government Travel System (GTS)**

a. Under the GTS, installation transportation officers do not use transportation requests to purchase airline, rail and bus tickets. Each installation transportation officer charges tickets to an agency charge account. In turn, the charge account company pays the travel agency, also known as the commercial travel office (CTO) and then bills the installation transportation officer per an established billing cycle. Transportation offices (TOs) and paying offices have to manually reconcile the GTS accounts in order to pay the bill. Future installations implementing GTS will reconcile using a personal computer based program which allows much of the work to be accomplished by automation, saving time and effort. The following procedures will be used by the installation TOs and paying office to reconcile and pay GTS bills:

(1) The installation TO will:

(a) Receive, date stamp the hard copy invoice and notify the CTO that the invoice has been received. The CTO will then prepare and forward, to installation transportation officer, the GTS reconciliation package (hard copy for non-automated site and diskette for automated sites), orders and itineraries/invoices in ticket number order for each ticket listed on the invoice.

(b) Upload the CTO supplied automated GTS reconciliation information into the GTS automated programs (automated sites).

(c) Review, correct, and verify passenger name, accounting data, disputed items, and credits, if any, in the reconciliation package against the information contained on the itineraries/invoices and orders as obligations against the U.S. Government accounting

classifications cited on the orders. Automated sites will generate the reconciliation package or verify the information on their personal computer. Non-automated sites will use the hard copy reconciliation package provided by the CTO to perform the verification.

(d) Review the discrepancy report for charges that were not reconcilable by the CTO. These charges could include airport credits, charges not the CTO system, double billings, charges to wrong account, and unidentified charges. Attempt to resolve the disputed items and add the resolved items to the current detailed bill for payment. For those items that remain unresolved and under dispute, automated sites will print the discrepancy report and send it to the CTO site manager by facsimile or express mail within two days after receiving the GTS diskette. Additionally, prepare and mail the credit card company reconciliation billing dispute notification form to the credit card company. Provide a copy of the reconciliation and billing dispute notification form to the credit card company and FAO/DAO. Non-automated sites will line-out those items that were reconcilable from the dispute sheet and add them to the debit report, to include; ticket number, traveler's name, accounting classification, net amount, discount amount, and gross amount of each ticket.

(e) Use the GTS program report generator (automated sites) to produce any required reports for the installation TO retained copy. Non-automated sites will use the computer generated reports provided by the CTO.

(f) After reviewing and making corrections to the records including those under dispute, automated sites will save the reconciled data and will export it to a formatted double density diskette for forwarding to the paying FAO/DAO.

(g) Prepare a SF 1034 and three copies. Include the following information on the original and each copy:

(1) CAC account number in the "Payee's Account Number" block.

(2) Date the ITO received the CAC hard copy bill in the "Date Invoice Received" block.

(3) Date the ITO received the CTO supplied GTS diskette or hard copy reconciliation package in the "Shipped From" block.

(4) Date the SF 1034 and GTS export diskette or reconciliation package were mailed/forwarded to the paying office in the "Date Voucher Prepared" block.

(5) Total amount approved for payment in the "Amount" block. This amount will equal the total of the net amount of each appropriation and the discount amount held in the disbursing officer's suspense account.

(6) Address of ITO office submitting the bill in the "Articles or Services" block.

(h) Prepare a certificate verifying receipt of services in the "Articles or Services" block underneath the address of the ITO. (The certificate will read: "*I hereby certify that the services indicated on the*

*detailed report were rendered as stated and that the amount shown is a proper and correct charge*)  
Type the contracting officer representative (COR) signature block and sign.

(i) Appropriation data in the "Accounting Classification" block, to include the discount amount held in the disbursing officer's suspense account (see DA PAM 37-100-FY) and total amount for each appropriation. If there are too many different appropriations to include them in this block, type "See attached report" and total dollar amount for all the appropriations. This amount plus the suspense account amount must equal the amount in the "Amount" column per paragraph 20-90

a.1.(g)(5),above.

(j) Provide the paying office the following documents:

- (1) The original and two copies of the SF 1034.
- (2) The GTS export diskette (automated sites) or two hard copy reconciliation packages. (non-automated sites only).
- (3) A copy of the CAC hard copy bill and the CAC payment coupon.
- (4) Two copies of the travel orders and itinerary/invoice for each ticket and advance credit included in the detailed report. Additionally, ITO will provide a copy of the SF 1034 for each different FSN contained in the GTS bill along with a copy of the travel order and itinerary/invoice for each ticket and advance credit funded by the corresponding fiscal station.

(k) ITO will retain the following items:

- (1) Copy of SF 1034.
- (2) Copy of each order and itinerary/invoice.
- (3) Copy of the bill received from the CAC, excluding the payment coupon.
- (4) Printout of corrected and verified information from the GTS computer system or corrected copy of the CTO provided hard copy reconciliation report.
- (5) The CTO supplied GTS diskette.

b. The paying office will process GTS bills for payment as the follows:

(1) A discount check from the CTO will reach the paying office not later than ten (10) days prior to the pay due date of the associated invoice. Deposit this check into the disbursing officer's suspense account. (See/DA PAM 37-100-FY.) The check stub will include the account number, billing date and amount of the payment of the bill to which it will be applied. The entire check will be disbursed with the payment corresponding with the account and billing date on the check stub.

(2) Using the export diskette (automated sites) from the ITO, import the corrected reconciliation information into the GTS program. Non-automated sites will receive a corrected hard-copy report from the ITO.

(3) Review the reconciliation report to ensure the accounting classification, accounting processing code (APC) or job order cost center (JOCC) data,

FSN and document reference number (DRN) are entered correctly. Do not delete any line items from the report.

(4) Make corrections to any of the above data. Do not change the dollar amount certified for services rendered without first obtaining approval from the ITO.

(5) Charge the net amount against the appropriate appropriation(s). Charge the discount amount against the suspense account, ensuring the amount disbursed equals the deposited amount (see DA PAM 37-100-FY.)

(6) Ensure the net amount of the bill and the discount amount equals the total of the vouchered amount.

(7) Retain a copy of the voucher, invoice, and GTS package in the paying office.

(8) Mail the payment coupon, payment check, dispute form, and a copy of the voucher to the CAC.

(9) Forward a copy of the voucher, itineraries and travel orders to each funded fiscal station as transactions for others (TFOs) back-up documents.

*c. Procedures for processing unused tickets*

(1) The traveler will turn in all unused tickets, partially unused tickets, refund applications, transportation credit forms and other transportation documents or portions thereof will be turned in by the traveler to the issuing CTO or, if that is not possible, to the CTO nearest the traveler's duty station. This will be done as soon as practicable, but not later than 30 days.

(2) When the receiving ITO is the issuing officer, the ITO will annotate the traveler's copy of the itinerary. Annotation will include the unused ticket number, portion unused, cost, date and the ITO or his/her designated representative's signature. The annotated form will serve as a receipt and submitted with the individual's travel voucher if there is a travel claim. If a totally unused ticket is received prior to the end of the ticketing period, the issuing ITO will immediately return the ticket annotated "Canceled" to the CTO with a copy of the itinerary on which it was issued. The CTO will provide the ITO with a receipt for the unused portion of the ticket and enter the amount of the credit in their reservation system. If the charge has already been processed on a CAC bill, the CTO will provide credit on the next CAC bill. If the charge has not been processed on a CAC bill, the CTO will suspense the credit until the charge appears on a CAC bill. At that time process the charge and credit as an advance credit.

(3) When the receiving ITO is other than the issuing officer, the installation may or may not be under GTS. In either situation, the traveler's copy of the transportation ticket will be marked with the unused ticket number, portion unused, cost, date, ITO's signature, title and installation. The annotated form will serve as a receipt and submitted with the individual's travel voucher. Annotate the unused ticket, refund application, transportation credit form



or related transportation documents as "Canceled" and forward to the issuing ITO for appropriate action.

*d. Lost transportation tickets* Follow the procedures in paragraph 20-89.

## **20-91. Small shipments paid using commercial forms**

### *a. Commercial forms.*

(1) The optional use of commercial forms applies only to the following types of shipments:

(a) Shipments for which the transportation charges ordinarily do not exceed \$100 per shipment and the occasional exception does not exceed that monetary limitation by an unreasonable amount.

(b) Single parcel shipments via express, courier, small package, or similar carrier, without regard to cost, if the parcel shipped weighs 70 pounds or less and does not exceed 108 inches in length and girth combined.

(c) Multi-parcel shipments via express, courier, small package, or similar carriers for which the total transportation charge does not exceed \$250 per shipment.

(2) When a commercial bill of lading or commercial express receipt is unavoidably used on a shipment of property for the account of the U.S. under circumstance not authorized above, return the bill to the origin transportation office for conversion to a U.S. Government bill of lading.

(3) Make payment in cash or check (at the carrier's option) at origin or destination and before the service is completed when the origin carrier presents the ticket, receipt, carrier-designed bill of lading, or equivalent document covering the services involved. Carriers handling these shipments are instructed to submit their bills on the commercial forms they ordinarily use. Except in those cases when an advance payment has been made, pay transportation charges 30 days after the carrier certification that the shipment has been delivered in good order. If the shipment is not received in good order and an advance payment has been made, the payment is subject to later recovery by deduction from future payments or by a request for refund. All charges under these procedures must be billed by and paid to the origin carrier or forwarder and may not be waived to any other carrier. Instructions on where payment is to be made (whether at origin or destination) and the desired payment method must be clear on the carrier's bill.

### *b. Payment methods.*

(1) For the imprest fund method (see Chapter 40 and DoD 7000.14-R, Volume 5.)

(2) For payment by check or cash (other than by imprest fund cashier), follow normal procedures for processing accounts payable vouchers.

### *c. Responsibilities*

(1) After receiving the commercial bill of lading or ticket, the transportation officer-

(a) Verifies the charges.

(b) Verifies that the services have been performed or requires a notice from the consignee or receiver in cases where transportation charges have been paid in advance but shipment is not received in good order.

(c) Takes appropriate adjustment action if there is a discrepancy in the shipment.

(d) Prepares and approves the SF 1034 for payment of the transportation charges (normally prepared in original and four copies), when payment is to be made by check or cash other than imprest fund, per this subparagraph.

(e) Forwards the payment package (SF 1034, supporting invoices, and performance certifications) to the vendor pay office.

(2) The receiver of the shipment--

(a) Examines the materiel to make sure that the quantities and items described on the purchase document and the supplier's sales document are present and in satisfactory condition.

(b) Ensures that the sales document contains the appropriate purchase order or other document number.

(3) The vendor pay office processes both types of payments referred to in paragraph 20-91b as follows:

(a) Post and verify payment data to the bills register or payment history file.

(b) Ensure that actions indicated in a and b above have been taken.

(c) Establish firm internal controls and procedures designed to prevent or detect duplicate payments.

(d) Schedule and make payment on vouchers paid by check or cash other than imprest funds per paragraph 20-91b.

(e) Properly account for funds disbursed.

(f) Review all payments on a statistical sampling basis.

*d. Supplemental claims* Settle any supplemental claim arising after the original bills have been paid directly with the carriers involved. However, forward any claim involving a question of law, fact or the amount properly due to GSA, ATTN: BWCA, Washington, DC 20405, for direct settlement. Furnish the complete record, including the appropriation to be charged if GSA allows the claim.

## **20-92. Loss, destruction, or damage of property in carrier's hands**

### *a. Payments in cases of loss, destruction, or damage.*

(1) Make payment for freight or express transportation when a GBL is used to the last carrier, unless other directions are on the bill of lading. Only the quantity of property delivered at destination is paid for. One exception is weight loss from natural shrinkage enroute; the weight shipped is paid for, provided the packages are delivered intact. The procedures in (2) and (3) below also apply to commercial bill payments covered by paragraph 20-91. Schedule all payments to carriers for 30 days

after the transportation officer receives the request for payment.

(2) The delivering carrier must note on the original bill of lading any discrepancies from the original tender in the final delivery and adjust freight charges accordingly. For a variety of reasons, this may have not been done. Therefore, when either the origin or destination transportation officer learns of discrepancies in the original bill of lading which increase the freight charges by \$25 or more, an SF 1200 (Government Bill of Lading Correction Notice) will be prepared to correct the original GBL. A copy of the SF 1200 is sent to the paying vendor pay office. Normally, this method tells vendor pay personnel the proper weight for freight charge purposes when shortages or losses occur, whether or not the shortages or losses are the carrier's responsibility. If the freight bill has already been paid, vendor pay personnel begin offset or claim action.

(3) When reported property shortages are delivered after an SF 1200 was forwarded to the paying vendor pay office, the transportation officer will prepare and forward a revised SF 1200 to the same vendor pay office.

*b. Carrier responsibility.*

(1) *General* When the carrier is to be held responsible for loss, destruction, or damage to U.S. Government and personal property while in transit, the transportation officer will prepare and process SF 361 (Transportation Discrepancy Report). Based on data in the completed SF 361, the carrier may be relieved of liability.

(2) *Personal property* DD Form 1840 (Notice of Loss or Damage) is prepared if personal property of civilian employees or military personnel is damaged during a move on a GBL or other U.S. Government contract. Subsequently, the individual will submit DD Form 1841 (Government Inspection Report) and DD Form 1842 (Claim for Personal Property Against the United States) to the carrier.

(3) *Transoceanic and intercostal water transportation.* Processing reports of survey that cover discrepancies in transoceanic and intercostal water transportation shipments involve the Military Sealift Command (MSC). The transportation officer will prepare and process SF 361.

*c. Incomplete or incorrect discrepancy notations.* Use SF 361 to adjust any incomplete or incorrect SF 1200 entries. DFAS-IN Transportation Operations office will take action on the SF 361. These forms are referred to HQDA (DALO-TSP-P), Washington, DC 20310, for technical advice if it appears that action may be modified by-

(1) Further investigation in light of commercial law and custom relating to shipping loss and damage.

(2) Information or interpretation of tariff provisions.

(3) Analysis of carrier's records.

(4) Other action from traffic and transportation authorities.

*d. Goods accepted after rejection.*

(1) *Chargeable to contractor.* When goods were rejected at destination because they did not meet contract or purchase order terms but were later accepted under a reduced price or other adjustment, the goods may be accepted only under the terms of a modified contract. The payment to the contractor in this case would depend on the terms of the modified contract. In arriving at the price to be paid for the goods, consideration is given to charges incurred or accrued at destination because of the prior rejection. While the modified contract may provide for a total consideration without mentioning these charges specifically, the contract will direct to avoid any misunderstanding about whether they are included in the new agreement. In these cases, the destination transportation officer approves all bills covering such charges to show that the U.S. Government will pay and that the contracting officer has adjusted the charges in the modified contract. The destination transportation officer gives the contracting officer a statement showing the kind and amount of the bills and the name of the paying office. Copies of this statement are sent to the paying vendor pay office. When the adjustment has been made, the contracting officer notifies the vendor pay office concerned so that the appropriations from which payments were made can be credited.

(2) *Chargeable to the U.S. Government.* If, through the U.S. Government's fault, goods are rejected at destination and then later accepted, they can only be accepted under the original contract. In this case, the U.S. Government becomes liable for all charges.

*e. Claims against carriers for shortages or damages.*

(1) *U.S. Government property.* DFAS-IN, Transportation Operations, (or any other FAO/DAO that has been designated to settle such transportation accounts) will make claims against carriers for shortages or damages to shipments of U.S. Government property. Deduct or collect amounts due by direct claim to settle the matter. Do not file claims for amounts less than \$25 (NOTE: The financial accounting officer/defense accounting officer will obtain funds to write off claims less than \$25.)

(2) *Personal property.*

(a) The designated JAG or claims officer will make claims against carriers for shortages or damages to personal property shipments. If the carrier disclaims liability and, contrary to the findings on DD Form 1843 (Demand on Carrier/Contractor), declines to honor the claim, action will be taken to recover the amount due the U.S. Government as in subparagraph a., above.

(b) The U.S. Government reimburses personal property owners for shortages and damages. Vendor pay personnel must quickly process approved claims when properly completed and approved DD Forms 1842 and SFs 1034 are received from claims offices.

(c) Contractor owned materiel and equipment are occasionally shipped on a GBL for the benefit of the U.S. Government. Claims arising from damage to such property are payable.

*f. Claims for lost or damaged baggage shipped on TRs.*

(1) *Claims pertaining to U.S. Government property.* The vendor pay office designated to make payment to the carrier for the transportation furnished will adjust or settle all U.S. Government claims against contracting carriers for loss or damage to U.S. Government property shipped as checkable baggage on TRs. Such settlements must comply with recommendations of approved SF 361 or as otherwise provided by regulations.

(2) *Claims for private property* In cases where individuals lose private property, the claims settlement is a matter between the individual, the carrier, and the JAG. However, the U.S. Government will have a prior claim whenever the loss or damage to baggage causes a loss to both the U.S. Government and to an individual. The U.S. Government assumes no risk for damage to property attributed to faulty packing or crating when packed or crated by owners or their agents and accepted by carriers for transportation. U.S. Army officers will assist carriers in determining that the property listed in claims from individuals is not U.S. Government-owned. In this connection, the title to all property issued to enlisted persons remains the U.S. Government's.

*g. Payment for repairs to U.S. Government property damaged in shipment.*

(1) *To be paid locally* Supplies and repair services for U.S. Government property damaged while being shipped by commercial carriers are generally procured by a purchase agreement drawn specifically to cover the required repairs or by a delivery order drawn as part of an indefinite quantity contract. The specific purchase agreement or delivery order will designate the same vendor pay office who makes payments for the procuring installation ordering the repairs. However, use the funds of the organization which shipped the U.S. Government property to pay for necessary repairs.

(2) *Responsibility of DFAS-IN Transportation Operations.* DFAS-IN, Transportation Operation office, is usually responsible for collecting damage claims for damage to U.S. Government property being shipped on a GBL (see subparagraph f, above.). It does not pay for supplies and repair services unless the procuring installation designates it as the paying agency.

(3) *Responsibility.* The shipper pays the charges when fumigation is ordered by the Department of Agriculture Inspection and Quarantine Service on shipments of civilian and military members HHG. When the fumigation service is performed simultaneously on more than one shipment, each

shipment is assessed for its proportional share of the total charges.

(4) *Claims for payment.* The following documents must substantiate supplemental claims for fumigation charges submitted on SF 1113, with a reference to the GBL on which the shipment moved:

(a) U.S. Department of Agriculture, APHIS Form 89 (Report of Reimbursable Inspection and Quarantine Service).

(b) A copy of the invoice for fumigation services that was rendered to the carrier.

*i. Disposition of amounts collected or deducted.*

(1) *Loss or damage to military supplies and equipment.* Per 10 U.S.C., "An amount deducted from an amount due a carrier because of loss or damage to material-in-transit for a Military Department shall be credited to the proper appropriation, account, or fund from which the same or similar material may be replaced." (For example, if material was purchased by a procurement appropriation, credit the current procurement appropriation from which the same or similar material would be charged.) Do not credit an expired account because of loss or damage to material-in-transit, or used for the purchasing of same or similar material. In those cases where a current appropriation is not available, credit the miscellaneous receipts account. Amounts credited to a miscellaneous receipts account are not available for the purchasing of same or similar material. (See DA PAM 37-100-FY.)

(2) *Loss or damage to personal property* Credit money for deductions made from carriers due to loss or damage to personal property to the appropriation charged with the reimbursement to the civilian employee or service member. (See DA PAM 37-100-FY.)

*j. Action in questionable cases* Refer doubtful questions of law that arise from any report of survey to the servicing legal office.

## **20-93. Shipments to U.S. Army resale commissaries and troop-issue activities**

Process payments for accessorial service charges on F.O.B. destination shipments to U.S. Army resale commissaries or troop-issue activities in CONUS, Alaska, and Hawaii. Do not refer to the consignor for payment.

*a. Carrier types.*

(1) Tariffs of common and contract carriers published in regulations of the Interstate Commerce Commission (ICC) and individual state regulatory agencies permit regulated carriers to publish charges for supplemental or accessorial services that are performed in connection with line-haul shipments. Included in, but not necessarily limited to, such services are demurrage, detention, split delivery, and redelivery services. The consignee (resale commissary and/or troop-issue activity) and not the consignor (shipper of goods) pays for services when

the delivering carrier performs such services on FOB shipments for a resale commissary or troop-issue activity. Such charges may vary depending on the applicable tariff. The installation transportation officer identifies and confirms authorized accessorial services to the commissary officer and/or troop-issue activity. The installation commissary officer or issue activity keeps charges for such services to an absolute minimum through efficient planning and scheduling of carrier equipment.

(2) Non-regulated carriers, such as local companies and shippers who own and operate their own vehicles, may assess charges for previously described supplemental and accessorial services performed. Treat such charges as in subparagraph (1), above.

*b. Reordering shipments.* The commissary officer and/or troop-issue activity maintains a transportation log on all incoming shipments by regulated carriers. The log will show, as a minimum, the following:

- (1) Carrier's name.
- (2) Name of shipper.
- (3) Invoice number and date.
- (4) Date and time of arrival in unloading area.
- (5) Date and time of departure from unloading area.

*c. Funding.* Accessorial service charges are paid from applicable transportation funds. The U.S. Army "Surcharge" funds cannot be used for payment.

*d. Payment.*

(1) The vendor pay office designated to pay or reimburse for the supplies on which the charges are incurred will pay accessorial service charges to the delivering carrier using SF 1034. The payment due date is 30 days after the bill reaches the designated billing office. Interest is payable on late payments. Report these payments on the PPA report as subject to PPA.

(2) The vendor pay office prepares an original and four copies of the voucher, supported by the following documents:

(a) The carrier's original invoice (Pick Up or Delivery Time Record).

(b) Copy of the carrier's delivery receipt.

(c) Original and four copies of the detention bill, U.S. Government shipments.

(3) Multiple invoices from the same carrier may be combined on one payment voucher if each invoice has exactly the same payment due date.

*e. Payment processing.*

*(1) Troop-issue activity.*

(a) Vendor pay personnel will record the receipted carrier invoice on the bills register or the automated payment history file. Examine the invoice and supporting documents for the required number of properly completed documents. Prepare an SF 1034 for properly prepared and supported invoices and forward to the troop-issue activity for appropriate action.

(b) The installation troop-issue activity verifies the documents and information on the voucher,

particularly the delivery and waiting time. In the case of non-regulated carriers, where such charges are not filed publicly, the troop-issue officer should determine that such charges are reasonable and that the carrier usually assesses them as a normal practice in its operations with non-U.S. Government consignees. Measure the reasonableness of such charges against the level of charges assessed by regulated carriers for the same type of service. The troop-issue officer then certifies the accessorial service charges by completing and signing the certificate on the reverse side of the original and copies of the detention bill for U.S. Government shipments. Forward the documents to the installation transportation officer. It is not necessary for the troop-issue activity to maintain a file of charges certified.

(c) The installation transportation officer verifies that the troop-issue officer has completed the reverse side of the detention bill for U.S. Government shipments and has signed it. The transportation officer then determines that the tariff is valid and the accessorial service charges are correct. Annotate the reverse side of the detention bill for U.S. Government shipments "APPROVED BY" followed by the transportation officer's signature, typed name, title, and the date. The certificate is dated and the voucher returned to the installation vendor pay office.

(d) The installation vendor pay office examines the voucher for the troop-issue officer and transportation officer approvals. If proper, process the voucher to pay the carrier; the payment due date is 30 days after the bill first reached the vendor pay office. Since there are three organizations involved in the approval/payment process, it is vital that the procedure be done as quickly as possible to avoid an interest penalty payment. Therefore, vendor pay personnel will send the bill to the troop-issue activity as soon as they receive it, preferably on the same day. The troop-issue activity and the TO will each have 10 calendar days to complete their portion of the approving process in order for the approved bill to be back at the vendor pay office by COB on the 20th day after initial receipt. In this case, vendor pay personnel will have only 10 days to process the payment. The payment is reported on the PPA report as being subject to PPA.

*(2) Resale commissary.*

(a) The resale commissary officer verifies the delivery and carrier waiting time shown on the carrier invoice. The accessorial service charges are certified by completing and signing the certificate on the reverse side of the original and copies of the detention bill for U.S. Government shipments. Documents are then sent to the installation transportation officer.

(b) The installation transportation officer verifies that the reverse side of the detention bill for U.S. Government shipments has been completed and signed by the commissary officer. The transporta-

tion officer determines tariff validity and accessorial service charge correctness. Annotate the reverse side of the Detention Bill-U.S. Government Shipments form with the words, "APPROVED BY" followed by the transportation officer's signature, typed name, and title. Date the certificate and re-turn the voucher to the resale commissary officer. The resale commissary officer forwards the carrier invoice to the regional field office. Record the invoice on the bills register or automated payment file. Check supporting documents for the resale commissary officer and transportation officer approvals and the required number of properly completed documents. If the invoice is properly prepared and supported, process the SF 1034 for payment to the servicing regional vendor pay office. Schedule the payment for 30 days after the bill reaches the designated billing office. Use the same 10 calendar day time frame given in (a) above.

*f. Distribution of SF 1034.*

SF 1034 will be distributed as follows:

- (1) Original to DFAS-IN.
- (2) One copy for the paying office retained accounts.
- (3) One copy to the carrier with the check.
- (4) One copy to the regional field office or troop-issue activity.

## **20-94. Automobile Rentals**

*a. GSA Interagency Motor Pool rentals.*

(1) The vendor pay office servicing the fiscal station cited on the traveler's travel orders pays invoices for vehicles from GSA Interagency Motor Pools. Follow these payment procedures:

(a) Travelers enter their name, travel order number, date, and the complete accounting classification shown in their travel orders onto GSA Form 312 (Trip Ticket) when they receive the vehicle from the GSA motor pool dispatcher.

(b) Travelers will submit a copy of their travel orders and three copies of GSA Form 312 with their travel voucher to the travel section of their servicing paying office.

(c) Examine the travel voucher and forward one copy of GSA Form 312 to the accounting section and another copy to the vendor pay office for payment of the GSA billing.

(2) GSA Form 312 is the only document available for obligation and payment purposes. If the form is not submitted with the travel voucher, travel section personnel will contact the traveler and ask the individual to submit it. Suspend settlement until it is submitted. If the traveler cannot furnish the form, travel section personnel will contact the applicable GSA regional office to obtain the information. Keep requests to GSA to a minimum.

(3) Procedures to reimburse travelers who pay rental charges directly to car rental companies are in Chapter 40 of this regulation.

(4) The U.S. Army is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse or inattention of military or civilian employees, except for normal wear and tear.

(a) Vendor pay personnel will use the GSA provided SF 1080 (Voucher for Transfer Between Appropriations and/or Funds) or GSA Form 789 (Statement, Voucher and Schedule of Withdrawals and Credits) for these payments. Forward the check and one copy of the voucher, without supporting documents, to GSA. Forward the original voucher with one copy of the GSA provided cost-of-repairs statement to DFAS-IN.

(b) Identify the damaged vehicle including the following information:

1. The vehicle registry number.
2. The date of damage and the circumstances surrounding the damage.
3. The report of survey or investigating officer's report. However, do not delay payment to GSA pending these reports.

*b. Administrative use vehicles*The vendor pay office designated in the procurement document will pay the administrative use vehicles that are procured locally.

*c. Payment to car rental companies.*

(1) The vendor pay office of the traveler's employing agency pays the rental charges when the traveler does not directly pay the car rental company. Compute charges at the prices MTMC negotiates with major car rental companies.

(2) The vendor's invoice will have a copy of the traveler's travel order attached. If the invoice does not have a copy of the travel orders attached, the following information must be on the invoice:

- (a) The travel order number.
- (b) The traveler's name, title, employing agency, and social security number.
- (c) The accounting classification or appropriation symbol cited in the travel orders.
- (d) The paying office that pays the traveler.
- (e) The original or invoice copy of the standard trip ticket issued by the vendor and receipted by the traveler. The trip ticket must contain the travel authorization number as authorization for the rental, the make and model of the vehicle furnished, the mileage readings at the start and finish of the trip, and the total elapsed time in each rental period.

Schedule these payments for 30 days after a proper invoice reaches the proper vendor pay office. Report on the PPA report as being subject to PPA.

(3) Do not approve payment for maintenance, fuels, lubricants, servicing (except in emergencies), license, registration fees, and all other operational expenses, unless specified in the rental rates of the rate schedule. Such charges are the car rental company's responsibility at no cost to either the U.S. Government or the traveler.

(4) If major repairs are necessary, the driver is required to immediately place a collect phone call to the rental company to report the problem, ask for a replacement vehicle, and ask what to do with the disabled vehicle. Deduct the time spent while waiting for a replacement vehicle or for repairs to be finished from the total amount of time the traveler is charged for the vehicle.

(5) Do not make payment for additional insurance except as provided in (6) below. Under the terms of the MTMC agreement, the contractor (the car rental company) assumes full responsibility for all loss or damage to the rental vehicle, agrees to indemnify the U.S. Government and any of its agencies or officers (renters) for all liability, and assumes all costs for injury or death from the use of a vehicle furnished under the contract. Consequently, it is not necessary for travelers to buy additional insurance.

(6) Collision insurance is generally included in the rental fee of commercial vehicles and it provides limited coverage to the customer. The laws of some foreign countries require travelers to buy additional insurance. If so, the amount can be paid directly to the car rental company or to the traveler as reimbursement.

(7) If damage to the rental vehicle occurs while being used on official business, the U.S. Government will pay the amount of the deductible. Pay claims for this deductible either to the traveler or directly to the car rental company. Use SF 1034 to pay these claims. Hold payments to car rental companies for 30 days but make reimbursements to travelers as soon as possible. Documents necessary to pay claims from either travelers or rental companies are statements and itemized bills to validate both the claim and the amount of the damage. The accident report will also be included to establish fault on the party not employed by the U.S. Government and to enable the U.S. Army to recoup its loss when negligence of that party can be established without a costly investigation. Furnish copies of accident reports to the local servicing legal office. Do not pay travelers for personal funds paid out for damage to their rented vehicle when it was being used for other than official business.

*d. Precaution to preclude duplicate payment* DD Form 1588 of the person who rented the vehicle must show that the U.S. Government paid for the car rental. This will preclude duplicate payments. The travel office will maintain the DD Form 1588.

*e. Notification to commander or supervisor* If a traveler is directed to pay a car rental company directly and does not do so, inform the individual's commander or supervisor for possible disciplinary action. Use a fill-in-the-blanks or computer-generated memorandum to the person's commander or supervisor. Attach a copy of any correspondence to and from the car rental company to the memorandum.

## **Section IX**

### **Contractor Problems**

#### **20-95. Contractor indebtedness**

*a. Contracting and finance personnel* These personnel will work together to erase contractor indebtedness to the U.S. Government.

(1) Contracting officers are responsible for determining all contractor indebtedness arising from contractor default or performance delay. The contracting officer reports this information to the paying vendor pay office, who works with the contracting officer on arranging for collection action. Vendor pay personnel do not initiate action on these problems with contractor performance but do abide by the contracting officer's directive on offset or payment stoppage. In order to avoid any misunderstanding on what actions must be taken on payments, contracting officers will furnish any such directives in writing to the paying vendor pay office.

(2) Vendor pay personnel take the lead in correcting any overpayment or erroneous payment they have made to a contractor. If accounts payable or audit personnel determine that an erroneous payment or an overpayment was made to a contractor, accounting personnel are responsible for establishing an accounts receivable and collecting the amount back. (See Chapter 15 of this regulation). Collect by offsetting future payments or by stopping payment altogether. Since this may affect the contractor's performance, inform the contracting officer of all actions vendor pay and accounting personnel take in their collection efforts. This is usually done by furnishing copies of all collection documents to the contracting officer who either issued or who is administering the procurement action.

*b. Specific paying office tasks.*

(1) Accounting personnel ensure that the contracting officer furnishes complete information on amounts due on demand from contractors. This includes whether or not offset collections against payments due to contractors may be deferred, as well as getting copies of the agreements or contracts covering any agreed upon deferred payments. If offsets or payment stoppages are instituted, accounting personnel will inform vendor pay personnel and furnish copies of the documents which direct such actions.

(2) Vendor pay personnel will maintain records of all withheld or reduced payments made to the vendor who is indebted to the U.S. Government. Furnish copies of these payment vouchers to accounting division personnel who are monitoring the accounts receivable.

(3) Vendor pay personnel will make collections from amounts due contractors on the same or on other contracts as offsets, unless the contracting officer specifically directs them not to do so. They also will make any deductions from payments due contractors

per approved deferment agreements. Notify the contracting officer of all such collections.

*c. Requests from other U.S. Government agencies or financial institutions* Vendor pay personnel will honor requests from other U.S. Government agencies for offset actions against vendors who are indebted to the U.S. Government. If the amount of any offset request from another agency exceeds the amount due the contractor, the vendor pay personnel will inform that agency. Report any such offset requests to the contracting officer who issued the procurement document. If more than one U.S. Government agency asks for an offset, establish the following priority:

(1) Department of Labor requests on Bacon-Davis Act salary disputes.

(2) An assignment of claims from a financial institution.

(3) A TD Form 668-W (Notice of Levy) from the Internal Revenue Service (IRS).

(4) Other Federal agency requests, on a first-come-first-honored basis, after the above action are completed.

(5) State or local government agency requests.

*d. Holdup list.* The holdup list refers to a list of contractors indebted to the U.S. Government. The DFAS-IN Legal Office will issue the list twice a year as well as any necessary supplements. The purpose of the list is to collect amounts due from contractors through offset of amounts due them. It lists by name all known contractors indebted to the U.S. Government from contractual dealings with all U.S. Government agencies reporting such information to DFAS-IN. Complete instructions on action to be taken about payments to contractors indebted to the United States are included in the holdup list.

## **20-96. Doubtful claims**

*a.* Forward accounts payable claims that cannot be settled locally because of doubtful questions of law or fact, through the Director, DFAS-IN, ATTN: DFAS-IN/GL, 8899 East 56th Street, Indianapolis, IN 46249-0160, to General Accounting Office, Claims Group, Payment Branch, Room 5047, GGD, Washington, DC 20547. If the paying office cannot approve the claim and pay in full within the 6-year statute of limitations, the claim will be immediately forwarded to DFAS-IN for referral to GAO. GAO will record the claim and return it for further processing. (See Chapter 40 of this regulation for barred claims.)

*b.* Each claim consists of the following documents:

(1) The original, signed claim.

(2) A copy of the procurement document.

(3) Copies of all related correspondence between the claimant and the U.S. Army.

(4) A signed statement by the finance and accounting officer/defense accounting officer that-

(a) Payment has not been made and will not be made except by certification in the name of the Comptroller General.

(b) Partial settlement of dollar amount has been made and no further payment will be made except by certification in the name of the Comptroller General.

(c) Funds have been reserved (citing the appropriation from which the payment will be made if approved by GAO) or that funds have not been reserved, as applicable.

(5) A citation to all vouchers covering payments or collections, as applicable, made under the procurement document.

(6) A signed administrative report prepared by the contracting officer. The report shows all facts concerning the claim known to the contracting officer (see paragraph 20-98).

(7) Certified copies (true or photostat) of the invoices or other billing documents.

(8) Copies of receiving reports or other receiving documents. If these are not available, include a signed statement that the supplies or services were received.

(9) SF 1034 (or other applicable voucher), in an original and six copies. The original copy is certified.

(10) Any other documents that shed light on the case.

*c.* Process doubtful claims of \$100 or less that the finance and accounting officer/defense accounting officer views as doubtful per paragraph 20-19 b.

*d.* For voucher preparation for doubtful claims, the following applies:

(1) Keep the voucher ready to process in case GAO finds in the claimant's favor. The following information must be on the SF 1034:

(a) The claimant's name and current address.

(b) The claimant's employer identification number (EIN) or social security number (SSN).

(c) Procurement document and voucher number and date.

(d) Statement of the purpose of the payment. For example, "Payment of claim adjudicated by GAO."

(e) An explanation of any difference between the amount claimed and the amount recommended for payment.

(2) The contracting officer and vendor pay personnel each keep a copy of all documents.

*e.* A doubtful claim format consists of a sub-mission in writing over the signature and address of the claimant or over the signature of the claimant's authorized agent or attorney. There is no prescribed form for filing a claim, a simple letter will do. However, the claim will reference the procurement document number and contain as simple a statement as possible about the claimant's reason for the claim and the amount he or she believes is due. The statements can be on an invoice.

*f.* When a doubtful claim is filed by an attorney or agent in behalf of the claimant, it must include a duly executed power of attorney or other documentary evidence of the person's right to act for the claimant.

*g.* For an administrative report of a doubtful claim, the contracting officer prepares an administrative

report in letter form that serves as a transmittal letter. The report must contain the following:

(1) Claimant's name, address, and Employer Identification Number (EIN) or SSN.

(2) A statement of the claim and the facts out of which the claim arose.

(3) A recommendation for the proper disposition of the claim and the reason for that recommendation. If approval is recommended, include a statement of whether the claimed amount is considered fair and reasonable.

(4) A statement that adequate precautions have been taken to preclude duplicate payment if the claim is submitted on a copy of the invoice because the original is not obtainable.

(5) A citation to pertinent supporting documents, such as procurement documents, vouchers, receiving reports, and so forth.

(6) A citation of the complete accounting classification applicable to pay the claim or an explanation why an accounting classification is not included.

*h.* When submitting doubtful claims, forward claims with the administrative report and SF 1034 through the appropriate vendor pay office. Vendor pay personnel take the following actions:

(1) Prepare the statement that the claim has not been nor will be paid unless certified for payment by the Comptroller General.

(2) Prepare the list of vouchers covering payments made against the procurement document.

(3) Cite the appropriation to be charged. (See Chapter 40 of this regulation for claims for refund of proceeds of sales erroneously collected and deposited, and for refund of amounts collected and applied to a general, special, or trust fund receipt account.)

*i.* If a doubtful claim is judged payable, GAO will certify the voucher either by using GAO Form 39 (Certificate of Settlement) or by placing a certificate of allowance on the voucher submitted with the claim. GAO will keep one copy of the voucher and send the original and four copies to DFAS-IN. DFAS-IN will keep one copy and send the original and three copies to the FAO/DAO at the installation where the claim arose. Vendor pay personnel will process the claim as soon as possible. The GAO certified voucher takes the place of GAO Form 39 (Settlement Certificate). Include these payments on the PPA report as total disbursements only.

*j.* Doubtful claims for transportation services are processed by forwarding claims from commercial carriers for transportation services furnished and identified on GBLs or TRs, through the Director, DFAS-IN, ATTN: DFAS-IN/FTGB, 8899 East 56th Street, Indianapolis, IN 46249-0611, to GSA, Office of Transportation Audits, 18th and F Streets, Washington, DC 20405. Claims for transportation services under the jurisdiction of Office, Chief of Engineers (USACE), are sent to GSA through the

Chief, Resource Management Office, ATTN: DAEN-RMF, Pulaski Building, Washington, DC 20314.

*k.* Doubtful claims involving offsets are processed as follows:

(1) In all cases involving offsets, forward an extra copy of the voucher with the original claim whether the appropriation is current or lapsed.

(2) When it is administratively recommended that a claim be allowed with a certain amount set off, the voucher will show, in addition to other necessary information, the amount recommended for offset and the complete accounting classification or fund to be credited. A statement showing the basis for the offset must be added. The statement must be detailed enough to give adequate explanation to the claimant.

(3) When no amount is recommended for offset, omit the amount in question from the voucher and GAO will insert the amount after adjudication. In those instances when GAO has a record of an indebtedness unknown to the paying office, it will amend the voucher as necessary.

*l.* Doubtful claims involving receipt accounts are processed as follows:

(1) Accounts payable claims covering money properly received but incorrectly deposited in the U.S. Treasury are covered in Chapter 27 of this regulation.

(2) Forward accounts payable claims covering money erroneously received and subsequently deposited into the U.S. Treasury to the Director, DFAS-IN, ATTN: DFAS-IN/GL, 8899 East 56th Street, Indianapolis, IN 46249-0160. Photocopies or certified true copies of the collection vouchers must accompany the claim. When collection vouchers or copies cannot be furnished, send sufficient information to support the claim.

## **20-97. Assignment of claims or contract transfer**

*a. Conditions for which assignments or transfers may be made.*

(1) The term assignment of claims means that a contractor has transferred to a bank, trust company, or other financial institution, money due the individual for performance on a U.S. Government contract. Contractors usually make such an assignment as security for a loan from that financial institution. Payments made to financial institutions or to surety under assignments are included in the PPA if payments to the original contractor were included in the PPA. Payment due dates are the same as they were to the contractor. Interest is due on late payments. Report amounts disbursed on the PPA report as disbursements subject to PPA.

(2) Per the Assignment of Claims Act, as amended (31 U.S.C. 3727 and 41 U.S.C. 15), a contractor may assign money due or to become due under a contract if all the following conditions are met:

(a) The contract specifies payments aggregating \$1,000 or more.



(b) The assignment is made to a bank, trust company, or other financial institution, including any Federal lending agency.

(c) The contract itself does not prohibit the assignment.

(d) Unless otherwise expressly allowed in the contract, the assignment--

1. Covers all unpaid amounts payable under the contract.

2. Is made to only one party, except that any assignment may be made to one party as agent or trustee for two or more parties participating in the financing of the contracts, and

3. Is not subject to further assignment.

(e) The assignee sends written notices of assignment together with two copies of the assignment instrument to the--

1. Contracting officer or the agency chief.

2. Surety or any bond applicable to the contract.

3. Disbursing officer designated in the contract to make payments.

(3) Two assignments of the same procurement document may not exist because the second assignment would be null or void without release from the first assignment. After the first assignment is released and the original parties are notified, a second assignment may be made.

(4) The performance of work under the contract may not be assigned.

(5) When the dollar amount of the contract is increased, it is not necessary to execute an additional assignment.

(6) An officer of the financial institution must sign the notice of assignment.

(7) The date of assignment cannot be before the date of the procurement document.

*b. U.S. Army policies on assignment of claims.*

(1) Any assignment of claims, that has been made in accordance with the Assignment of Claims Act to any type of financial institution, may thereafter be further assigned and reassigned to any such institution if the conditions in paragraphs 20-97a. (2) (d) and (e) continue to be met.

(2) A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the U.S. Government's interest. The contracting officer must inform the financial institution that the contract forbids an assignment. Furnish a copy of the letter to the vendor pay office.

(3) Under a requirements or indefinite quantity-type contract that authorizes multiple U.S. Government activities to order and pay, amounts due for individual orders for \$1,000 or more may be assigned.

(4) Contracting officers may exclude a "no-offset" commitment when they determine it is in the U.S. Government's interest.

(5) When an assigned contract does not include a no-offset commitment, the U.S. Government may apply any contractor liability to the U.S. Government

to payments to the assignee. The contractor liability can be independent from the assigned contract if the liability existed at the time notice of the assignment was received. This is true even though that liability had not yet matured so as to be due and payable.

*c. Extent of assignee's protection.*

(1) No payments that the U.S. Government makes to the assignee for any contract assigned per the Assignment of Claims Act may be recovered because the contractor has a liability to the U.S. Government. This assignee immunity is true whether the contractor's liability arises from or is independent of the assigned contract except when a no-offset commitment has been excluded.

(2) Except as provided in (3) below, including a no-offset commitment in an assigned contract entitles the assignee to receive contract payments free of reduction or offset for-

(a) Any contractor liability to the U.S. Government arising independently of the contract, and

(b) Any of the following contractor liabilities to the U.S. Government arising from the assigned contract:

1. Re-negotiation under any statute or contract clause.

2. Fines.

3. Penalties, exclusive of amounts that may be collected or withheld from the contractor under, or for failure to comply with, the terms of the contract.

4. Taxes or Social Security contributions.

5. Withholding or nonwithholding of taxes or Social Security contributions.

(3) In some circumstances, an offset may be appropriate even though the assigned contract includes a no-offset commitment. For example-

(a) When the assignee has neither made a loan under the assignment nor made a commitment to do so.

(b) When the amount due on the contract exceeds the amount of any loans made or expected to be made under a firm commitment for financing.

*d. Procedures on assignments.*

(1) *Assignments by corporations or individuals* These assignments will be-

(a) Executed by an authorized representative.

(b) Attested by the secretary or the assistant secretary of the corporation.

(c) Impressed with the corporate seal and accompanied by a certified copy of the resolution of the corporation's board of directors authorizing the signing representative to execute the assignment.

(d) If the contractor is a partnership, the assignment may be signed by one partner if it is accompanied by an acknowledged certification that the signer is a general partner of the partnership.

(e) If the contractor is an individual, the assignment must be signed by that individual and the signature acknowledged before a notary public or other person authorized to administer oaths.

(2) *Filing* The assignee must send to each party specified in paragraph 20-97a(2) (e) an original and

three copies of the notice of assignment together with one copy of the instrument of assignment. The true copy must be a certified duplicate or photocopy of the original assignment.

(3) *Format for notice of assignment* There is no prescribed format for a Notice of Assignment, as long as it contains the necessary information. The format used by most financial institutions is acceptable.

(4) *Examination by contracting officer* In examining and processing notices of assignment and before acknowledging their receipt, contracting officers assure that the following conditions and any additional conditions specified in procurement regulations have been met:

(a) The contract has been properly approved and executed.

(b) The contract is one under which claims may be assigned.

(c) The assignment covers only money due or to become due under the contract.

(5) *Release of assignment* A release of assignment is required when-

(a) There has been a further assignment or re-assignment under the Act, or

(b) The contractor wishes to re-establish the right to receive further payments after the contractor's obligations to the assignee have been satisfied and a balance remains due under the contract.

(6) *Right to receive payment* In order to establish a right to receive payment from the U.S. Government, the assignee, under a further assignment or re-assignment, must file with the addresses listed in paragraph 20-97a(2)(e)-

(a) Written notice that the assigning financial institution has released the contractor.

(b) Copy of the release instrument.

(c) Copy of the further assignment or re-assignment instrument.

(7) *Release from assignment of claim* If the assignee releases the contractor from an assignment of claims, the contractor, in order to establish a right to receive payment of the balance due under the contract, must file a written notice of release together with a true copy of the release of assignment instrument with the addresses noted in paragraph 20-97a(2)(e).

(8) *Receipt of notice* The addressee of a notice of release of assignment or the official acting on behalf of that addressee must acknowledge receipt of the notice.

*e. Interpretation of the term "financial institution"* A "company" regularly engaged in the financing business is not disqualified from accepting assignments under the Assignment of Claims Act as a financial institution solely because it consists of an individual or a partnership. A business concern that, merely as an incident to its principal business of acting as selling agent, advances money to pay for raw materials, labor, and so forth, is not a financial

institution to which money due or to become due under a U.S. Government contract may be assigned under authority of the Assignment of Claims Act.

*f. Distinction between money and contract assignment.* Assigning money due or to become due under U.S. Government procurement documents does not authorize assigning the contract itself.

Therefore, it is the contractor's and not the assignee's responsibility to execute required certificates on vouchers, invoices, and so forth, establishing the right to payment. No assigned procurement document, or any interest in it, can be transferred by the party to whom such procurement document is given. Any such transfer causes the procurement document to be annulled, as far as the U.S. Government is concerned. All rights of action, however, for any breach of such contract by the contracting parties are reserved to the U.S. Government.

*g. Data to support payment under assignment of claims.* Under the notice of assignment, the vendor pay office must pay the financial institution instead of the contractor. The copy of the notice of assignment must be filed in the payment file for that procurement document and the file flagged in some distinctive manner so that the contractor is not paid.

(1) When the original and three copies of the notice of assignment, acknowledged by the contracting officer, and the true copy of the instrument of assignment are received from the assignee, accounts payable personnel keep the original notice of assignment and the instrument of assignment and return three acknowledged copies of the notice of assignment to the assignee. As an alternate procedure, vendor pay personnel may return two acknowledged copies of the notice of assignment to the assignee and keep two acknowledged copies for distribution as outlined below.

(2) After receiving the notices of assignment acknowledged by the contracting officer (and surety, if any), vendor pay personnel will add an acknowledgment and attach one copy of each of the notices to the first voucher submitted. Forward these to the Director, DFAS-IN, ATTN: DFAS-IN/CCA/C, Indianapolis, IN 46249-0001. Vendor pay personnel will retain one copy of each acknowledged notice of assignment.

*h. Transactions not considered assignments.*

(1) When a contractor's entire business is sold, the resultant transfer of a U.S. Government procurement document is not considered an assignment. The transferee may properly receive payment when he or she complies with the terms of the procurement document and a waiver from the original contractor is furnished.

(2) A corporation merger or a change in the corporate name is not considered an assignment. A merger or name change does not annul existing procurement documents between the corporation and

the U.S. Government; nor does it permit a change in the contractor's responsibility.

(3) Rental payments may be made to a lessor's agent if there is evidence the agent is acting for him or her. Also, rent itself may be assigned even though the title to the property is not transferred.

(4) Payments properly due may be made to the receiver or trustee.

(5) Assumption of contract by surety.

(a) When the contractor defaults and the surety (a person who assumes the responsibilities or obligations of another person) assumes the contract, certain payments may be made to the surety. If there are any aspects regarding conflicting claims, tax indebtedness, and so forth, treat the matter as a claim to GAO.

(b) The following guidelines apply when paying the surety or contractor.

1. The person who completes work, per a procurement document on which they have assumed surety, is a substitute for the original contractor's rights for the unpaid balance due from the U.S. Government on that contract. The surety is also a substitute for the U.S. Government's rights against the original contractor for any excess costs necessary to complete the work or to furnish materials and supplies. Therefore, the surety is entitled to be paid the cost of completing the work, not to exceed the contract price, but is not entitled to a profit.

2. The contractor is entitled to be paid for work performed before the surety took over the contract if any funds are available on the contract after reimbursing the surety.

3. The U.S. Government's total payment cannot exceed the contract price. It is common practice to require releases from the contractor and the surety on this fact.

4. Any remaining balance is not paid into bankruptcy court but is paid to the assignee of a receiver when the court orders the receiver to accept the assignee's offer to complete the work in exchange for receiving all the payments and for keeping percentages due.

*i. Letter contract assignments* When assignments of claims for letter contracts are made, notices (with copies of assignments) are given to contracting officers and the vendor pay office. Later, definitive contracts superseding the letter contracts are signed and new assignments are made. Contracting officer and vendor pay personnel accept, receipt for, and honor the second assignment of the proceeds of a definitive contract superseding a letter contract. The two instruments of assignment are thereafter treated as if they were only one instrument and payments continue to the assignee.

*j. Assignment of claims on U.S. Government Bills of Lading (GBL).*

(1) An SF 1103 (GBL) constitutes a procurement document to transport goods and, as such, is

governed by the Assignment of Claims Act.

Therefore, an assignment may be made for money due or to become due under a GBL for payments aggregating \$1,000 or more.

(2) When a carrier has assigned all money due for freight on the outward voyage of a vessel to a financial institution and the GBLs representing numerous shipments on the vessel constitute the only contract for the transportation, the assignment may be recognized under the Assignment of Claims Act. Payment in the name of the assignee is authorized only to each GBL payment of \$1,000 or more. When the amount is less than \$1,000, make payment in the name of the transportation company and mail the check in care of the assignee.

(3) When the quantity of hauling service that the U.S. Government estimates in a proposed contract with a carrier is less than \$1,000, but the U.S. Government has the right to order more or less than the estimated amount, the contract would not be one "providing for payments aggregating \$1,000 or more" within the meaning of the Assignment of Claims Act. Payments for the contract, therefore, cannot be assigned.

(4) When payments for hauling services under a master contract with a particular carrier are assigned, per the Assignment of Claims Act, the bill of lading and voucher covering each individual hauling service will show that payments are to be made to the designated assignee. The master contract is also referenced.

(5) When there is an assignment of money due for TRs, a request to transport persons is a contract and as such is governed by the Assignment of Claims Act. Therefore, money due or to become due under a contract providing for payments aggregating \$1,000 or more may be assigned.

## **20-98. Contractor claims**

*a. Payments due deceased or incompetent creditors.*

(1) Deceased creditors.

(a) Settle claims for amounts due deceased U.S. Government creditors (except non-current depository check claims) locally per laws of the decedent's domicile when no doubt exists as to the-

1. Claim amount or validity.

2. Person or persons entitled to payment per the laws of the decedent's domicile. Approve such claims on SF 1055 (Claim Against the U.S. Government for Amounts Due in the Case of a Deceased Creditor).

(b) These payments are not governed by the PPA. Schedule payments for release as soon as possible after the claim is approved by an authorizing individual. No interest is due on late payments. Report both the number and dollar amounts of these payments on the PPA report as total disbursements only.

(c) Prepare payment for claims that cannot be paid locally on SF 1055 for direct GAO settlement. These

claims include, among others, claims for amounts due deceased contractors (whether under terminated or continuing contracts) and other deceased public creditors for supplies furnished or services performed.

(d) Payment for claims on SFs 1034 by U.S. Treasury check or other checks or other authorized U.S. Government depository. Make the check payable to the order of public creditors if it cannot be made to the claimant because of the payee's death. Submit noncurrent depository check claims to GAO for direct settlement. The checks, if available, will accompany the claims. Make copies of the checks for vendor pay records in case they are lost. These payments are due as soon as possible after GAO directs payment. No interest is due on late payments. Report these payments on the PPA report as total disbursements only.

(e) If a guardian has been appointed for a minor who appears to be entitled to an unpaid amount, the claim must be supported by a court certificate showing the guardian's appointment and qualification. If no guardian has been or will be appointed, the initial claims must be supported by a statement showing-

1. Claimant's relationship to the minor.
2. The name and address of the person having care and custody of the minor.

3. That any money received will be used for the minor's benefit.

4. That a guardian will not be appointed.

(2) Incompetent creditors.

(a) Settle claims for amounts due incompetent public creditors (except noncurrent depository check claims) locally when no doubt exists as to the-

1. Claim's validity or amount.

2. Person or persons properly entitled to payment.

(b) No form is prescribed for guardians, committees, or estates of minors or incompetents to make claim for sums due from the U.S. Government. However, the guardian or committee must submit an application stating the minor's or incompetent's entitlement to sums from the U.S. Government, giving the name of the department and bureau, establishment, or agency. Guardians or committee members must sign the application, include their address and a court certificate showing their appointment and qualification to serve as guardians or committee members. Applications for subsequent payments need not be accompanied by an additional court certificate but must be supported by a statement that the appointment is still in full force and effect.

(c) If no guardian or committee of the estate has been or will be appointed, the initial claim must have a statement showing-

1. The claimant's relationship to the incompetent.

2. The name and address of the person having care and custody of the incompetent.

3. That any amount paid to the claimant will be applied to the incompetent's benefit.

4. That the appointment of a guardian or committee is not contemplated.

(d) All U.S. Government checks not payable because the payee is incompetent must accompany the claim, but vendor pay personnel must keep copies of them in case they are lost.

(3) Claims submission. Forward these types of doubtful claim documents through channels to the Director, DFAS-IN, ATTN: DFAS-IN/GL, Indianapolis, IN 46249-0160, to GAO for direct settlement. Include in the administrative report (see para 20-96g) a schedule or list of U.S. Government checks showing the appropriation or account to which the proceeds have been credited.

*b. Contract Disputes Act Claims.*

(1) The Contract Disputes Act of 1978 (41 U.S.C. 601-613) establishes procedures and requirements for asserting and resolving claims by or against contractors arising under or relating to a contract subject to the Act. In addition, the act provides for:

- (a) Interest to be paid on contractor claims.

- (b) Contractors to certify claims which exceed \$50,000.

- (c) A civil penalty for contractor claims that are fraudulent or based on a misrepresentation of fact.

(2) The Contract Disputes Act applies to any express or implied contract covered by the FAR except procurement documents with:

- (a) A foreign government or an agency of that government.

- (b) An international organization or a subsidiary body of that organization.

(3) Once a contractor files a claim, the contracting officer has 60 days to issue a final decision. If he or she wishes, the contractor then has 90 days from that date to appeal the decision to the Armed Services Board of Contract Appeals (ASBCA) or the contractor has 12 months to file an action directly in the U.S. Claims Court.

(4) If the contractor appeals the contracting officer's decision, the Contract Disputes Act authorizes agencies to require a contractor to continue contract performance, pending a final decision on an appeal. The contracting officer's decision must direct continued performance in his or her decision.

(5) Interest is due on the amount the contracting officer determines is due on a claim filed by a contractor. Follow the directions of the contracting officer in his or her final decision. FAR 33.208 directs that interest is paid for the period that begins from the later of the date the contracting officer receives the claim or the date payment otherwise would be due; it continues through the date of payment. Do not report interest paid per the Contract Disputes Act on the PPA report as PPA interest because it is paid under a different statute. In addition, interest is not computed the same way as

under PPA. Vendor pay personnel compute interest under the Contract Disputes Act as follows:

(a) Pay simple, not compound, interest. Compute the interest for each 6 months but do not add it to the basic amount when computing the next 6-month interest amount. Compute each 6-month period separately, then add the figures together, and add the resulting total to the basic amount.

(b) Use the actual PPA interest rate in effect for each 6-month period.

(c) Do not pay interest per PPA for more than 1 year, but there is no time limit on interest paid per the Contract Disputes Act.

(6) The PPA allows vendors and contractors 40 days after the date on a payment check to request any additional penalty they believe is due them on the payment (para 20-98g). If they do not make such a request in writing within the 40 days, they can later file a claim with the contracting officer per the Contract Disputes Act for the amount of interest they believe due. If the contracting officer determines in their favor, pay the amount prescribed by the contracting officer, unless believed to be so flagrantly erroneous that the payment would constitute an improper payment. If this is true, file a request for a decision from the Comptroller General. Report payments made at the direction of the contracting officer per the Contract Disputes Act on the PPA report as total disbursements only.

(7) Pay the amount determined payable per the decision, less any portion already paid, as soon as possible after the contracting officer's final decision. The contractor does not have to submit any other document requesting the payment. Make the payment even if the contractor plans to appeal the contracting officer's decision.

*c. Payment to contractor when the ASBCA sustains a claim.*

(1) When the ASBCA determines on appeal that a contractor is due a certain amount of money, it will return the decision to the contracting officer who originally issued the disputed contract. The contracting officer then sends a written directive to the vendor pay office stating the amount to be paid. A copy of the ASBCA decision is attached to the directive.

(2) The vendor pay office named in the disputed contract to make payments pays the claim from funds allotted to the original contract. If funds are not available in the proper account to cover payments directed by ASBCA, request additional funds through normal funding channels.

(3) The ASBCA usually computes any interest due and states the amount in their decision. However, if there is a statement only (such as "Interest is due under the Contract Disputes Act" or something similar), vendor pay personnel will compute interest as outlined in paragraph 20-98b(5).

(4) Include these payments on the PPA report as total disbursements only.

*d. Payment to contractors when a court rules in favor of the contractor.* Court action may follow contractor termination by the United States or a court may sustain an appeal made by a contractor per the Contract Disputes Act. In either case, payment may be due the contractor if final judgement is against the United States. When this happens, vendor pay personnel will forward a transcript of the court judgment directly to GAO, Washington, DC 20548. GAO settlement is required by 28 U.S.C. 2414 on final judgment by U.S. District Courts and by 28 U.S.C. 2517 on final judgment by the Court of Claims. GAO will pay these claims from U.S. Treasury Department general funds.

*e. Claims.*

(1) Claims officials appointed per the authority of the Judge Advocate General (JAG) are authorized to approve various kinds of claims. For claims paid locally, personnel in the claims section will prepare the payment voucher and specify on the voucher the correct fund cite to be charged.

(2) A JAG or civilian attorney within the command legal office will be appointed as an outside certifying official (see Appendix F of this regulation). When the claim payment is certified by a certifying official in the claims office, the voucher and the supporting document which approves the claim is sent directly to the disbursing section. For paying offices that use automated payment systems, forward a printed copy of the automated version of the claim (including pertinent payment data) to support the disbursement. If an outside certifying official has not been appointed in the claims office, the claim payment documents are sent to the vendor pay office for review before disbursement.

(3) The claims official who adjudicates the claim and determines the amount due cannot be the same individual who certifies the payment as a certifying official. In small legal offices, it may be necessary to appoint someone outside the legal office as the outside certifying official.

(4) Claims personnel need not send the entire claim file with the payment voucher to the paying office. Two copies of the document used to support payment of the claim will accompany the payment voucher.

(5) These payments are not governed by the PPA. Pay them as soon as possible, normally within five days after they reach the finance and accounting office. Include on the PPA report as part of total disbursements only.

*f. Contractor claim for additional payment.* When a contractor invoices for a higher amount on the grounds that a mistake was made in the contract price, pay only the amount specified in the contract. Refer the contractor to the contracting officer for a possible modification for any additional amount due. If the contracting officer issues a modification for the additional amount, determine the payment due date from the date the contracting officer signs the

modification. The payment is governed by the PPA but interest is not due unless the new payment due date is exceeded. Include the payment on the PPA report as being subject to PPA.

*g. Contractor claim for the Office of Management and Budget (OMB) penalty.*

(1) The PPA Amendment of 1988 allows vendors to submit a claim to the paying office for interest they believe was due but not paid on a payment made by that office. If the interest was due and not paid, then in addition to the interest payment, a penalty payment is due. This is called the OMB penalty.

(2) Vendors must have been paid; they cannot submit a claim for interest on a future payment. They must submit the claim for the OMB penalty 10 days after payment, but not later than 40 days after the date on the payment check. The postmark date is used to determine if the claim was submitted on time.

(3) The claim for the OMB penalty must meet the following criteria:

(a) A copy of the invoice on which the vendor claims PPA interest must be attached.

(b) The vendor must state that interest was due on the payment.

(c) The vendor must specifically ask for the OMB penalty.

(4) Recompute the payment due date on the previously made payment. If the vendor is correct and PPA interest should have been paid, take the following actions:

(a) Determine the interest amount which should have been added to the principal when the payment was made.

(b) Compute interest on that amount from the day after the date on the original check through the date the interest or OMB penalty check will be issued.

1. Schedule the new check as soon as possible.

2. Use the PPA rate in effect for each 6-month period.

3. Compound both the PPA interest and the OMB penalty every 30 days.

(c) Double the interest dollar amount computed in (2) above because the OMB penalty is 100 percent of the interest amount. However, there is a minimum OMB penalty of \$25. Consequently, if the interest amount is less than \$25, the OMB penalty will still be \$25. There is a maximum OMB penalty of \$5,000. Consequently, if the interest amount is more than the OMB maximum, only the maximum is added to the interest on the new interest or penalty check.

(d) A notice giving the vendor details of these computations must be prepared and sent with the check.

(5) If the recomputation shows that interest was not due on the original payment, prepare a letter to the vendor explaining why it is not due. Forward this explanation to the vendor 45 days or less after receiving the request.

## **20-99. Bankruptcy**

*a. The Bankruptcy Circular Letter* All FAOs/DAOs will receive a copy of The U.S. Army's Bankruptcy Circular Letter. The circular letter is issued on each business entity known to be in bankruptcy or insolvency and doing business with a DoD component. Vendor pay personnel must notify legal, procurement, and TOs of any bankruptcy or insolvency information. Request specific guidance pertaining to bankruptcy or insolvency matters from the Director, DFAS-IN, ATTN: DFAS-IN/GL, 8899 East 56th Street, Indianapolis, IN 46249-0160. See also Chapter 40 and DoD 7000.14-R (DodFMR), Volume 5.

*b. Amounts earned prior to bankruptcy or insolvency.* Voucher amounts due the debtor that were earned prior to the bankruptcy or insolvency date, and that are available to be applied in set off for a U.S. Government debt. Certify for payment, and forward to the Director, DFAS-IN, ATTN: DFAS-IN/GL, 8899 East 56th Street, Indianapolis, IN 46249-0160. Do not issue dual-payee U.S. Treasury checks, unless directed by DFAS-IN. Make no offset of any debt owed to the debtor that arose before the bankruptcy or insolvency date. However, do not withhold amounts earned before or after the bankruptcy or insolvency date from assignees per the Assignment of Claims Act of 1940, except as provided in the Act as amended, 31 U.S.C 3727 and 41 U.S.C. 15.

*c. Payment for amounts earned on and after the bankruptcy or insolvency date* In addition to payments made to assignees described in a above, trustees, receivers, or debtors in possession may be entitled to amounts earned on and after the bankruptcy or insolvency date. Do not make off-sets without DFAS-IN authority. In Federal bankruptcy cases, the payee may be the trustee or the debtor in possession. In insolvency cases, the payee may be the trustee, the assignee, the receiver, or some other proper designee. The accounts payable office will process vouchers representing amounts due, and the DO will make the check payable to the proper designee. (For example, (contractor's name), Debtor in Possession, is usually the proper designee in a Chapter 11 Reorganization Case under the Federal Bankruptcy Code. In other instances, the proper designee is usually the trustee, assignee, or receiver who should be cited by name as the trustee, assignee, or receiver for the estate of (contractor's name).

## **Section X Advance Payments**

### **20-100. General prohibition against advances**

Public money cannot be advanced unless specifically authorized by an appropriation act or by other law. Without specific statutory authority, payments

for goods or services cannot exceed the value of the goods or services accepted as of the payment date.

#### **20-101. When advances are permitted**

Advance payments can be made from DoD appropriations only for the goods or services listed in this section. Payments made per the laws of foreign countries or their ministerial regulations and payments for rent in such countries, if necessary under local custom, can also be paid in advance.

#### **20-102. Advance payment for publications**

a. Payment for subscriptions or orders for publications, newspapers, microfiche, publications issued as software, magazines, pamphlets, periodicals, books, prints, and other publications for official use may be made in advance. The total cost of the subscription is charged to the appropriation for the fiscal year current at the time the subscription is ordered. Subscriptions may extend beyond the current fiscal year, begin in a subsequent fiscal year if procurement lead time is required, or extend for more than 1 fiscal year.

b. Pay for publications from other U.S. Government agencies not included in pinpoint distribution in advance.

c. Because these are paid in advance, schedule them as soon as possible. They are not subject to PPA; interest is not due because there can be no "late" payment. Include these payments on the PPA report as total disbursements only.

#### **20-103. Advance payment for post office box rental**

Advance payment for an annual post office box rental is authorized.

(1) Under U.S. Postal Service regulations on renting post office boxes, a U.S. Government agency that rents a box prior to the beginning of the fiscal quarter is required to rent the box for not less than the full quarter and pay the full rental if the box is surrendered before the end of the rental period. Regardless of whether advance payment of post office box rental is made on a quarterly or an annual basis, no refund of any portion of the rental will be made when the box is surrendered before the end of the rental period.

(2) When Postal Form (PF) 32 (Card Notice of Box Rent Due) is received, line through the space for the postmaster's signature and attach it to SF 1034. Certify and pay the voucher as usual; make the check payable to "Postmaster". These payments are not governed by PPA. Include them on the PPA report as part of total disbursements only.

#### **20-104. The Pay-As-You-Go Mail Program**

Since October 1, 1989, the U.S. Army operates its official mail program on a "pay-as-you-go" basis and the penalty mail system is no longer used. This section gives the procedures to pay the U.S. Postal

Service (USPS) to replenish postal meters or to buy other forms of mail service. Two separate procedures are given; one, if the mail manager is on the same site as the servicing paying office; and two, if the mail manager is remote from the servicing paying office.

a. Use the following procedures when the mail manager is on the same site as the servicing paying office or is within easy commuting distance.

(1) Installation mail managers or postal officers will prepare an appointment document listing one primary and two alternate individuals authorized to pick up checks and deliver them to the Post Office. This appointment document serves as the authorizing document. The mail manager must send it to the servicing vendor pay office, along with a DD Form 577 (Signature Card) for each person appointed. The vendor pay office will forward the DD Forms 577 to the disbursing office. The appointment document and signature cards must be in the paying office before any check for postage is delivered to the individual who is to hand-carry it to the Post Office.

(2) At least 3 work days before a check is to be picked up at the paying office, the mail manager or postal officer sends an original and three copies of a memorandum to the vendor pay office, stating the dollar amount of the postage to be purchased. One copy of the memorandum is sent to Accounting for obligation purposes. If the paying office does not have an automated system which automatically produces a payment voucher, the memorandum will be accompanied by a completed SF 1034 (original and three copies) for the same amount listed on the memorandum. Mail managers sign the approval block on the SF 1034 if they are not certifying officers; those who have been appointed as outside certifying officials sign the certifying block.

(3) Vendor pay personnel prepare the SF 1034 if it has not been prepared by an outside certifying official and attach the memorandum to it before sending it to the disbursing section. This must be done in time to ensure that a check for the correct amount is ready on the requested date. Forward the original and all three copies of the memorandum and the original and all three copies of the SF 1034 to the disbursing office. These are arranged in sets marked as follows:

(a) The original memorandum and SF 1034, to be sent to DFAS-IN.

(b) One copy of the memorandum and the SF 1034 to accounting.

(c) One copy of the memorandum and SF 1034 prominently marked "DO NOT MAIL; DELIVER TO THE CASHIER."

(4) The check is made payable to: "POSTMASTER, U.S. POSTAL SERVICE." Disbursing will deliver the check, along with the memorandum and the paid voucher, to a cashier on or before the date of pick-up.

(5) One of the persons named in the appointment document will pick up the check from the cashier and sign the memorandum as having received the check. The cashier will require identification and will check the signature against the identification and the DD Form 577.

(6) The authorized person will then take the check to the Post Office, buy the postage or replenish the meter, get a receipt from the postal clerk, and return the receipt to the cashier from whom he or she received the check. The cashier will staple the receipt to the memorandum and the paid voucher and return them to the vendor pay office.

b. Use the following procedures when mail managers are geographically separate from their servicing paying office.

(1) Mail managers prepare a memorandum appointing one primary and two alternate persons allowed to take a check to their local Post Office. Establish strict internal controls so that only the three named individuals are ever allowed to hand-carry the check to the local Post Office. Retain the memorandum in the mail manager's file.

(2) Mail managers will prepare a memorandum for their servicing paying office, giving their own address as the mailing address for the check. They give their own activity or command as the account for whom they will purchase postage. This memorandum must be in their servicing paying office before they ask for any checks.

(3) Ten calendar days before mail managers will need the check, they prepare a memorandum (original plus three copies) to the servicing paying office asking that a check be mailed to their own office address. Include a completed SF 1034 (original plus four copies). The amount requested in the memorandum must be the same as the amount cited on the SF 1034. Mail managers will sign the approval block of the SF 1034.

(4) When the memorandum and SF 1034 reach the vendor pay office, they will send one copy of the SF 1034 to accounting for obligation purposes. As soon after receipt as possible, accounts payable personnel will send the documents to disbursing. Vendor pay personnel will send the memorandum and SF 1034 as follows:

(a) Original memorandum and SF 1034 to DFAS-IN.

(b) One copy of the memorandum and voucher to accounting.

(c) One copy of the memorandum and voucher to be mailed with the check to the requesting mail manager. The check will be payable to: "POSTMASTER, U.S. POSTAL SERVICE." It cannot have an address on the check so "window" envelopes cannot be used.

(d) Retain one copy of the voucher and memorandum in the vendor pay office.

(5) When mail managers receive the check, they will give it to one of the three named individuals to

take to the Post Office. The individual will sign for the check, take it to the Post Office, buy the postage or have the meter reset, and get a receipt from the Postal clerk.

(6) Mail managers will make a copy of the receipt for their files. Mail manager's files must be available for audit.

c. Under both the above procedures, the vendor pay office will establish a file for each of the accounts for whom they provide checks to buy postage. In most cases, there will be one mail manager per installation or tenant activity or remote location. Retain the signed memorandum (for checks which have been picked up), the Postal Service receipt and the paid SF 1034 in the folder. Keep these files by fiscal year; they are retained for the current FY and the two previous FYs before retirement.

d. Outside certifying officials can be used to certify payment vouchers directly into the disbursing section, by-passing the vendor pay office. However, the paying office must ensure that more than one individual is in the order-approve-certify process; the funds control officer for this program cannot also be the outside certifying official. Pre-scribed appointment, training, and auditing procedures must be in place before an outside certifying official can certify these payments. Under this procedure, the mail manager's office becomes the office-of-record for maintaining all supporting documents; the records must be available for audit. In some paying offices, using this procedure will cause their automated system to use an SF 1049 (Public Voucher for Refunds) as the payment voucher. Although the SF 1034 is the preferred payment voucher, the SF 1049 can be used.

e. The imprest fund can be used to purchase postage under the Pay-As-You-Go mail program. The imprest fund cashier must be someone other than the mail manager and proper internal controls must be established. In this case, the mail manager is the office-of-record for the purchases; supporting documents must be available for audit.

f. The U.S. Postal Service (USPS) offers a service of allowing an organization to deposit funds into an account for future purchases. This avoids the necessity of giving the Post Office a check for each purchase. Since the USPS advance deposit account is not outside the U.S. Treasury, this procedure is authorized.

## **20-105. Advance payment to develop or establish military facilities**

Buildings for assignment as public quarters at or near military installations can be leased under a current appropriation act. Advance payments can be made to establish or develop military facilities. For purposes of this section, family housing leasing may be considered as developing or establishing a military facility. Accordingly, advance rental may properly be paid under leases made under authority



of the current appropriation act. Include these payments on the PPA report as part of total disbursements only.

**20-106. Streetcar tickets or tokens, toll road permits, and toll bridge tickets**

Streetcar tickets or tokens, annual permits for toll roads, and toll bridge tickets can be paid in advance. Necessary safeguards must be established to ensure they are for official purposes only. These payments can be certified by outside certifying officials; if so, that office becomes the office-of-record. Supporting documents must be available for audit. Include these payments on the PPA report as part of total disbursements only.

**20-107. Payment for public refuse disposal facility tickets**

Refuse disposal tickets for use at public refuse disposal facilities can be purchased in advance. Ensure that these items are for official purposes only. Outside certifying officials can be appointed for these payments; if so, that office becomes the office-of-record and must maintain supporting documents for audits. Include these payments on the PPA report as part of total disbursements only.

**20-108. Payments to state and local governments**

Advance payments may usually be made to state or local governments (39 Comp Gen 285). Include these advance payments on the PPA report as part of total disbursements only. However, if a state or local government acts in the capacity of contractor, that is, does work on a procurement document issued by a federal contracting officer for work that might have been done by a private business concern payments are then subject to PPA. These become 30-day payments unless the procurement document directs a different payment schedule. Interest is due on late payments. In this case, the payments would be reported on the PPA report as being subject to PPA.

**20-109. Tuition and training**

a. Tuition payments may be made to civilian educational institutions when the student enrolls, or at the time provided by the rules of the institution for its students. Enrollments in correspondence courses may also be paid in advance.

b. Advance payments are also authorized to U.S. or foreign training organizations, including military exercises. Include these payments on the PPA report as part of total disbursements only. See the Desk Reference Guide at Appendix G for payment procedures.

**20-110. Cash on delivery (COD) charges**

Paying COD charges in cash before the contents are examined is authorized. This applies only when the purchases are made from imprest funds (32 Comp

Gen 563). Include these payments on the PPA report as part of total disbursements only.

**20-111. Copyright purchases or license to use patent**

An advance payment can be made for a license to use a patent or to purchase a copyright. The subject matter of the purchase must be in the authorization of the current fiscal year appropriation (22 Comp Gen 904). Include these payments on the PPA report as part of total disbursements only.

**20-112. Utility connection charge**

Paying a public utility for an installation, connection or reconnection charge is not an advance payment because the U.S. Government receives full consideration-services not otherwise available. Connection or reconnection charges are later reimbursed by a specified monthly refund on the invoice for utility services. Include these payments on the PPA report as part of total disbursements only.

**20-113. Petition and witness fees**

a. When the U.S. Army petitions for immigrant status for a person whose services are required, the fee must accompany the petition.

b. Use SF 1156 (Public Voucher for Fees and Mileage of Witnesses) to pay advance witness fees per Chapter 40 of this regulation. Include these payments on the PPA report as part of total disbursements only.

**20-114. Professional societies**

Memberships in professional societies or associations acquired in the name of the U.S. Army may be paid in advance. The purpose of the membership must be to acquire services required for the U.S. Army, not an individual person. Major commanders or their designees make the determination. Appropriated funds cannot be used for the individual benefit of any officer or employee of the U.S. Army. Include these payments on the PPA report as part of total disbursements only.

**20-115. Meeting attendance**

a. Payment may be made before attendance at meetings of technical, scientific, professional, or similar organizations. After accepting the payment, the organization is obliged to reserve a space and comply with the contract. Schedule the payment to reach the organization before the date of the meeting. If an individual does not know a registration fee is required until arriving at the meeting, individuals may pay the fee from personal funds and then request reimbursement. Reimburse the individual as soon as possible after they present the receipt, canceled check, or charge card slip through his or her commander or supervisor to the vendor pay office. Include these payments on the PPA report as part of total disbursements only.

b. If the payment is non-refundable and the individual fails to attend for reasons beyond the individual's control, do not collect from the individual. However, do collect if he or she failed to attend for a reason not excused by the individual's superior.

#### **20-116. Miscellaneous fees**

Payment may be made for many items required by the U.S. Government for which contract documents are not prepared. Included in this category are passport fees, drivers license fees, reconnection fees, and so forth. Pay for these fees by using SF 1034 which will include a copy of the U.S. Government order requiring these services and a paid receipt from the vendor

### **Section XI**

### **Progress and Advance Payments Under Contract Financing**

#### **20-117. Policies**

a. The term "contract financing" means the U.S. Government assists contractors by providing working capital to finance contracts for large amounts or on those that extend over a long period. Contract financing includes-

- (1) Payment methods.
- (2) Loan guarantees.
- (3) Administration of debts to the U.S. Government from contracts.
- (4) Contract funding.

The statutory authority for making progress and advance payments under contract financing is 10 U.S.C. 2307, 41 U.S.C. 255, and 50 U.S.C. 2091. Policies and procedures governing progress and advance payments are in the FAR and the DFARs, Part 32. If there is any conflict here with FAR or DFARs, those provisions will govern. Reporting procedures for progress and advance payments are in chapter 29 of this regulation. In order to keep funds held outside the U.S. Treasury to a minimum, the amount of advance payments must be held to the absolute minimum necessary for contract performance.

b. Advance payments are money advances from the U.S. Government to a prime contractor before, in anticipation of, and for the purpose of complete performance under one or more contracts. Since they are not measured by performance, they differ from partial, progress, or other payments based on the performance or partial performance of a contract. Advance payments may be made to prime contractors to make sub-advances to sub-contractors. Make advance payments as soon as possible after a proper certification by the contracting officer reaches the correct paying office.

c. Progress payments are payments based either on the costs incurred by the contractor as work progresses or based on a percentage or stage of contract completion. Progress payments on

construction or architect-engineer contracts are due 14 days after the payment request reaches the designated billing office. Interest is due on late payments. Include these payments on the PPA report as subject to PPA. However, progress payments on other types of financed contracts are not governed by the PPA; make these payments 7 to 30 days after approval by the contracting officer. Include these payments on the PPA report as part of total disbursements only.

#### **20-118. Requests for approval**

Submit requests for advance payments and unusual progress payments per the FAR, Part 32, thru the chief of the procuring activity to Department of the Army, OASA(FO), ATTN: SAFM-FO, RM 3E575, Pentagon, Washington, DC, 20310-0109. Cash flow forecasts and analyses must be included with applications for advance payments.

#### **20-119. Advance payment pool agreements**

An advance payment pool agreement is a method of financing more than one contract under a single advance payment agreement. For details concerning advance payment pool agreements, see the FAR, Part 32.

#### **20-120. Clearance by the Contract Financing Office**

Submit requests for the following types of progress payments through the chief of the procuring activity to Department of the Army, OASA(FO), ATTN: SAFM-FO, RM 3E575, Pentagon, Washington, DC, 20310-0109, for prior approval.

- a. Those involving progress payments at rates exceeding those authorized by the FAR.
- b. Those involving deviations as defined in the FAR.
- c. Exceptional cases involving unusual risks as described in the FAR.

d. Those involving contractors of whom it is known that within the preceding 12 months-

- (1) Were denied a request for advance payments by the contract financing office for financial reasons.
- (2) Were denied an application for guarantee of a loan or for increase or extension of maturity of a guaranteed loan, for financial reasons.
- (3) Had an approved application for guarantee of a loan or for advance payment to the contractor lapsed or withdrawn.

e. Those involving contractors named on the consolidated list of contractors indebted to the United States (hold-up list).

#### **20-121. Audit prior to payment**

a. To conserve administrative effort and promote prompt payment of proper progress billings, keep audits before making progress payments to the minimum necessary to protect the U.S. Government's interest. Pre-audit only when there is reason to believe the contract will involve a loss or

there is reason to question the reliability or accuracy of the contractor's certificate. Payments can be made after Defense Contracting Audit Agency (DCAA) stamps and signs an approval statement on those requests submitted to the DCAA for pre-payment approval. The contracting officer can perform pricing or costing analysis necessary after the payment offset. Adjustments directed by the contracting officer are based on the analysis of future payments.

b. The contracting officer may make a post audit to determine the validity of any progress payment made on the contractor's certifications. If pre-payment audits delay payment for construction or architect-engineer contracts and interest is due the contractor, the interest is charged back to the contracting office if the payment request reaches the vendor pay office later than close of business (COB) on the 7th day after the contractor submits the request. However, chargebacks of interest penalties are not authorized to DCAA.

#### **20-122. Contract debt collection**

The contracting officer has primary responsibility for determining and collecting a contract debt. The paying office has the responsibility for collection when erroneous payments or overpayments have been made to the contractor. The paying office also has primary responsibility when the amounts due and payment dates are fixed by the contract, and a copy of the contract has been furnished the paying office with notice to collect as amounts become due. For detailed collection procedures of contract debts, see the FAR and chapter 15 of this regulation.

#### **20-123. Reserved for future use**

### **Section XII Secret and Confidential Vouchers**

#### **20-124. Payment from representation and contingencies funds**

Funding documents provide authority to obligate and spend contingency funds as approved or as adjusted later during the FY. Unless otherwise specifically authorized by the SA or designee, commanders can spend representation funds only for official entertainment or for other official purposes. The commander or designee must specifically approve all contingency fund expenditures for official representation before the event. It must be a formal approval and, at a minimum, state the purpose, number of guests, and estimated cost. The commander or designee approves or certifies the payments, made on SF 1034. As an alternative, the commander or designee may submit a properly certified statement with supporting documents to the vendor pay office, and vendor pay personnel prepare and certify the SF 1034. Keep supporting documents (invoices, event approval, and so forth) in the retained accounts.

#### **20-125. Vouchers and supporting documents not requiring SA approval**

a. *General.* Prepare secret and confidential expenditures which do not require SA approval on regular vouchers and mark them "SECRET" or "CONFIDENTIAL"; then prepare a dummy voucher per paragraphs 20-125 and 126. Process vouchers that need SA approval per paragraphs 20-125 through 20-127 using DD Form 281 (Voucher for Emergency or Extraordinary Expense Expenditures). Use the DD Form 281 only for a payment requiring SA approval.

b. *Control.* Only finance and accounting officers/defense accounting officers, one of their commissioned assistants, or duly investigated and cleared personnel see classified vouchers and their supporting documents. Prepare classified vouchers covering proposed payments using the least number of duly investigated and cleared personnel as conditions permit. Prepare classified vouchers in duplicate, with supporting papers, and secure both copies in GSA approved Class VI security containers with built-in, three-position, changeable, dial-type combination lock. Only finance and accounting officers/defense accounting officers, commissioned assistants, or duly investigated and cleared persons can have access to the vouchers or the security container(s) until distribution is made. Conspicuously mark both copies of classified vouchers top and bottom, on all pages with the highest classification filed in the packet. In cases where the last page is unclassified, add an additional marking "Regarded unclassified when separated from classified document" near the center of the page. Mark the first page of the packet and the first page of any classified supporting documents with a "Classified by marking and a declassification date."

c. *Classification removal.* When finance and accounting officers/defense accounting officers receive classified vouchers or supporting papers that have been classified as SECRET or CONFIDENTIAL and it is apparent that the need for such classification no longer exists, they will query the originator of the original classification or higher authority to determine if original documents may be declassified so that these vouchers may be processed in the usual manner. If approval to declassify is received after the classified vouchers leave the paying office, forward a copy of the declassification authority to Director, DFAS-IN, ATTN: DFAS-IN/CCD/R, Indianapolis, IN 46249-0426.

#### **20-126. Dummy vouchers for expenditures not requiring SA approval**

a. Finance and accounting officers/defense accounting officers, commissioned assistants, or investigated and cleared personnel prepare dummy vouchers for all secret or confidential expenditures

not requiring SA approval. Under no circumstances use one dummy voucher for multiple classified vouchers. Use these dummy vouchers for accounting and reporting purposes instead of using the official classified vouchers. The dummy vouchers will cite-

- (1) Disbursement voucher number.
- (2) Finance and accounting officer's/defense accounting officer's name.
- (3) DSSN.
- (4) Address of the station (except when the address is classified).
- (5) Month in which paid.
- (6) Contract number (or travel order number).
- (7) Amount paid, whether by check or cash.
- (8) Appropriation, allotment, project, and element of expense.
- (9) FSN.

b. Include a notation that the original, classified voucher was mailed directly to the Director, DFAS-IN, ATTN: DFAS-IN/CCD/R, Indianapolis, IN 46249-0426, on (date). Use four copies of the dummy voucher.

- (1) Send the original and one copy of the dummy voucher to DFAS-IN, instead of the classified voucher.
- (2) File a duplicate in the paying office's retained accounts.
- (3) Use one copy for fiscal accounting purposes.

#### **20-127. Disposition of classified vouchers and supporting papers**

Send the original classified vouchers directly to the Director, DFAS-IN, ATTN: DFAS-IN/CCD/R, Indianapolis, IN 46249-0426. Attach one copy of the dummy voucher to the original classified vouchers and supporting papers. Use DA Form 3964 (Classified Document Receipt) as the transmittal document. Package in a double cover. Forward an original and one copy of the DA Form 3964, with each document identified by voucher number. Do not list personal information on the DA Form 3964. Place DA Forms 3964 face down on the voucher packets inside the first cover. Keep one of the duplicate DA Form 3964 until the original, signed by a DFAS-IN representative, is returned to you. Maintain the DA Form 3964 which shows receipt of classified vouchers. Process appointments of persons designated as couriers or escorts to hand carry classified vouchers to DFAS-IN. Keep duplicate secret or confidential vouchers in a approved type safe. When it is apparent that the need for classification is no longer required, or where a notice of declassification is received from an originating authority, take the same actions given in paragraph 20-125c.

#### **20-128. Civilian employees traveling per secret or confidential orders**

See *JTR, Volume 2, Section 5.*

#### **20-129. SA approval**

(Note: The procedures given here do not apply to OMA Limitation .0017 (Intelligence Contingency Funds) Pay emergency and extraordinary expenses, the details of which cannot be disclosed without jeopardizing the mission or without being prejudicial to the public interest, from contingency funds made available to the SA in annual appropriation acts under OMA (AR 37-47, Contingency Funds of the Secretary of the Army). The SA must authorize all expenditures for emergency and extraordinary expenses. DA agencies who control these funds will recommend to the SA approval of their expenditures. Do not charge expenditures to these funds if other DA funds are available.

#### **20-130. Payment vouchers for funds requiring SA approval**

a. *Forms used.* Use DD Form 281 only to pay emergency and extraordinary expenses which require specific approval by the SA.

b. *Preparation and distribution.* Prepare the voucher as indicated below and distribute it on an as-required basis (the original is prepared on DD Form 281 (Voucher for Emergency or Extraordinary Expense Expenditures) and the remaining copies on DD Form 281a). The voucher form is carbon interleaved; however, reproduce extra copies locally to meet distribution requirements. In cases involving payments made by class A or B agent officers, an additional copy of DD Form 281a may be required. Minimum distribution is to send originals.

c. *Information to be shown on form.* In order to preserve secrecy, charge all expenditures paid on DD Form 281 that require SA approval to elements of resource in the 2500 series. With exception of the accounting classification, show no details or explanation of expenditures on either the front or reverse of DD Form 281.

d. *Supporting papers.* All receipts, certificates, or other documents to substantiate and fully explain the expenditure must accompany all copies of the voucher to the certifying and approving officer. The approving officer will examine the voucher and all attachments and may amplify or explain further. The certifying and approving officer then certifies the correctness, payment propriety, and fund availability on the line provided on the voucher. The certifying and approving officer keeps one copy of the voucher and sends the original and three copies (without any supporting data except the certificate prescribed below) to the paying office. Except when an agency has given the certifying and approving officer specific authorization to hold the supporting papers, forward all supporting documents to the appropriate DA agency, attached to the agency's copy of the voucher. Attach two photocopies of the annual Assistant Secretary of the Army for Financial Management and Controller (ASA(FM&C)) letter referred to in AR 37-47 to the initial voucher for each

fiscal year. Subsequent vouchers citing these funds will refer to the first voucher that had the photocopies attached, as follows:

*"Authority for expenditure of contingency funds under Operation and Maintenance, U.S. Army FY (year) filed with voucher number), accounts of (finance and accounting officer's/defense accounting officer's rank and name), symbol (DSSN)."*

e. **Certification required**The individual receiving the funds must certify and approve the vouchers. Use DD Form 577 or other designation document for this purpose. This card is signed by the officer authorized to certify vouchers and must show DD Form 281 as the class of vouchers to be certified by the allottee of the funds concerned. An officer so designated attaches an original DD Form 577, or other designation document, to the original copy of the first voucher approved. To revoke a certifying officer's approval authority, the fund receiver must send revocation notice to the proper DA agency. Ordinarily, the certifying and approving officer will not be the payee. However, Defense (or the U.S. Army) attaches or acting attaches may certify and approve all DD Forms 281 citing intelligence contingency funds, including those on which they are the payee. The certifying and approving officer or attache must attach to DD Forms 281a (memorandum copies) a certificate reading as follows:

*"I certify that the expenditures shown on this voucher were necessary for emergency or extraordinary expense purposes, that the funds charged are applicable, and that funds are available."*

The FAO/DAO will accept these certified and approved vouchers.

f. **Voucher classification**Voucher copies will bear the same security classification as the most highly classified sub-vouchers. However, place a notation on each copy of the voucher to reduce the classification to "FOR OFFICIAL USE ONLY," when detached from sub-vouchers having a higher classification.

## **20-131. Reserved For Future Use**

### **20-132. Fund advances to investigative and similar type personnel**

a. **General.** Under normal circumstances, fund advances to individuals to defray expenses for classified activities are not desirable. Such expenses will be paid from personal funds and the individual reimbursed on a periodic basis. However, commanding officers may advance funds with the approval of certifying and approving officers if the contemplated expenses, including travel costs, place undue hardship on the individual's personal funds. Carefully consider requests for fund advances to be sure they will be used only for the classified activity

for which approved. Normally do not make fund advances for more than 30 days unless specifically authorized by the Assistant Chief of Staff for Intelligence, or the Commander, U.S. Army Criminal Investigation Command.

b. **Requests for fund advances**Authorized individuals will initiate requests on DA Form 3697 (Subvoucher for Reimbursement from Confidential Funds). This form is prepared in duplicate and contains this statement (Note:After approval, process the DD Form 281 as usual.):

*"Advance of funds to cover anticipated expenditures from (date) to (date)."*

c. **Settlement of advances.**

(1) **Normal settlement procedures**Advances made per chapter 14 must have a statement attached to the retained voucher copy or an approval by the certifying and approving officer stating the general purposes for which the funds were used. Use DA Form 3697 for this purpose. The certifying and approving officer who approves the fund advance must have as many details as possible (without jeopardizing the mission) to show how the funds were spent. Attach these details to the retained voucher copy to be available for audit. The vendor pay office processes return of unexpended balances as a collection to an appropriation refund or credit to the General Fund Account 21R3099, Miscellaneous Recoveries and Refunds Not Otherwise Classified. The vendor pay office sends a copy of the collection voucher to the certifying and approving officer who approved the fund advance.

(2) **Procedure at end of fiscal year**The using agency will determine the total amount of outstanding cash advances at the close of business on the last day of the fiscal year. They will return that amount to the vendor pay office on a collection voucher as an appropriation refund. This return will be made not later than 20 days after receiving authority to spend the new fiscal year funds.

### **20-133. Destruction of supporting documents**

In instances when keeping expenditure details will jeopardize missions, be prejudicial to the public interest, or be in danger of falling into enemy hands, destroy them after a disinterested officer appointed by the receiver of the funds or designee examines them. The officer or designee will prepare a statement that the destruction was necessary. Substitute this statement for the detailed accounts destroyed.

## Section XIII Taxes

### 20-134. Filing informational tax returns (TD Forms 1099-MISC)

a. At the end of each calendar year, vendor pay offices report to the Internal Revenue Service (IRS) payments of \$600 or more made to-

- (1) Individuals who are not military or civilian employees of the U.S. Government.
- (2) Non-incorporated vendors.
- (3) Bill paying or collection corporations.
- (4) Health care corporations.
- (5) Partnerships.

These payments are for services, not for merchandise or supplies. The payments must total \$600 or more per payee (listed above) per calendar year (26 CFR 1.6041-1). Report the information to the IRS on TD Form 1099-MISC (Statement for Recipient of Miscellaneous Income); use TD Form 1096 (Annual Summary and Transmittal of U.S. Information Returns) as the transmittal document. Prepare a separate TD Form 1099-MISC for each applicable payee to whom payments are made. Bundle TD Forms 1099-MISC with a taxpayer identification number (TIN) separately from TD Forms 1099-MISC without a TIN. Both bundles may be covered by one TD Form 1096 with the number of forms without a TIN shown in the "without taxpayer identification number" box. TD Form 1096 is a summary of all payments reported on the individual TD Forms 1099-MISC. The filing date for reporting to IRS for any calendar year is on or before February 28 of the following calendar year. Provide a copy of TD Form 1099-MISC to each payee by January 31.

b. If 250 individual TD Forms 1099-MISC or more are to be issued by any vendor pay office, IRS requires that the submission be by magnetic media. IRS will not accept over 250 individual forms. Even though the information has to be sent to IRS on magnetic media, prepare separate forms and forward to each individual payee. Mail these forms on or before January 31 of the year following the calendar tax year.

c. For payments for which no return of information is required, section 1.6041-3 of the Income Tax Regulations contains the following exclusions from filing requirements:

- (1) Any type payments made to corporations (except corporations engaged in bill paying or collecting or medical or health care corporations), when "INC" or "Incorporated" is an obvious part of the business title.
- (2) Payments of bills for merchandise, telegrams, telephone, freight, storage, and similar charges.
- (3) Rent paid to real estate agents (but report rent to other non-incorporated individuals).
- (4) Payments subject to TD W-2, Wage and Tax statement, withholding procedures.

(5) Payments of persons in the military or civil services of the U.S. Government as an allowance or reimbursement for traveling or associated expenses.

(6) Payments made to employees for service performed in Puerto Rico.

(7) Payments made as an award to an informer or similar payments. For the complete list of exclusions, see Section 1.6041-3, Income Tax Regulations. Direct questions on whether other payments are excluded to IRS through the installation Staff Judge Advocate.

d. Backup withholding procedures consist of the following:

(1) Vendor pay personnel must perform backup withholding when one condition from each (a) and (b) is present.

(a) Taxpayer Identification Number (TIN):

1. The payee fails to provide a TIN to the contracting office or to the vendor pay office. The TIN may be a social security number or an employee identification number.

2. IRS informs the vendor pay office or the contracting office that the payee provided an incorrect TIN.

3. The payee provides a TIN consisting of other than nine numerals.

(b) Other:

1. Reportable payments to the payee total \$600 or more during the calendar year.

2. IRS required an information return from the payee for the preceding calendar year.

3. Backup withholding was required from the payee for the preceding year.

e. After reasonable efforts (at least one phone call and one registered letter) to obtain the TIN have been unsuccessful, vendor pay personnel will withhold 31 percent of the total payment and send the remainder to the payee. Show on the front of the payment voucher how much was withheld and why. Tax is assessed for the first time on the entire amount of the payment that causes the \$600 limit to be exceeded and on any subsequent payments to that payee until the TIN is furnished. Do not withhold the 31 percent from any payments that do not cause the \$600 limit to be exceeded.

f. The withheld tax is deposited to 21X6875.6001 and payments to IRS are disbursed from that account. Report the tax on schedule A of TD Form 941, Employer's Quarterly Federal Tax Return. Vendor pay personnel prepare the TD Form 941 and send it (along with one copy of each payment voucher which shows the deduction) to the IRS office to whom all other taxes are reported as disbursed from the paying office. Request detailed procedures in TD Circular E, from the local IRS office.

g. IRS computers sometimes send a form letter to finance and accounting offices stating that the office is being fined for some infraction of the IRS Code. IRS cannot fine another U.S. Government agency, but their computers are not programmed to

differentiate between U.S. Government agencies and private businesses. If one of these letters is received, vendor pay personnel will prepare a letter back to the IRS address explaining that the office is another Federal agency and not subject to such fines. Forward the letter through the installation JAG office.

*h.* The U.S. Army National Guard (ARNG) USPFO and Troop Support Agency (TSA) accounts pay-able offices will prepare the TD Forms 1099-MISC, 1096, or 941 and send them to their servicing IRS office. Other outside certifying officials whose organizations are the office of record for vendor pay payments must maintain the records of which vendors must have a TD 1099-MISC. However, the actual preparation of the forms or magnetic media is done within the vendor pay office of their servicing paying office.

*i.* There is no requirement to withhold tax on interest penalties paid per the PPA. However, interest and all other payment amounts must be added to other income paid to applicable vendors when determining if the \$600 limit has been exceeded.

*j.* Prepare and issue TD Form 1099-MISC for only two types of corporations; corporations which provide bill paying or collecting services, and corporations which provide medical or health care services. However, TD Form 1099-MISC is not required for health and medical care providers if the corporation is-

(1) Exempt from taxation under section 501(c) of the IRS Code.

(2) A hospital or extended care facility owned and operated by the U.S. Government, a state, the District of Columbia, a U.S. Government possession, or a political subdivision, agency, or instrumentality of any of these.

*k.* To determine the status of health care corporations, vendor pay offices will:

(1) Ask the health care corporation about tax-exempt status.

(2) Ask if the health care corporation is owned and operated or affiliated with the United States, a state, or local government.

(3) If either (1) or (2) above is yes, then no TD Form 1099-MISC is required. If (1) or (2) is no, then the vendor pay office must accumulate information on payments made to each health care corporation and prepare TD Form 1099-MISC for each health care corporation who is paid \$600 or more in a calendar year.

*l.* Payments to non-incorporated individuals or companies that provide health care are subject to taxation. Prepare TD Forms 1099-MISC for them.

*m.* Obtain TD Forms 1099-MISC, 1096, 941, and TD Circular E from the nearest IRS office.

*n.* Include taxes paid to IRS on the PPA report as part of total disbursements only.

## **20-135. State and local taxes**

*a.* U.S. Government agencies are not obligated to pay state or local taxes imposed directly on the U.S. Government because under the Constitution the United States is immune from such taxes. However, when the tax is levied on the seller, the U.S. Government must pay the tax as part of the purchase price, unless the taxing authority provides otherwise (37 Comp Gen 772; 32 Comp Gen 423; 24 Comp Gen 150; B-148667, May 15, 1962). Where the U.S. Government has agreed in a contract to reimburse the vendor for taxes paid to a state or municipality, such payments are proper (B-134654, February 11, 1958 and FAR, Part 31). Where there is a valid and binding contract covering furnishing of supplies or services at fixed unit prices, and the contract contains no provision for adjusting such prices in the event of the imposition on the contractor of state taxes, there is no authority for paying taxes over and above the unit price stipulated in the contract (B-128346, August 8, 1956). Unless specifically stated otherwise in the contract, it is assumed that state and local taxes are included in the contract price (21 Comp Gen 719). State statutes indicate whether the tax is levied on the seller or the purchaser. Some states accept SF 1094, U.S. Tax Exemption Certificate; others require payment of the tax at the time of purchase and provide a means for seeking refunds of the tax. Since it's not always clear where the legal incidence of a tax falls, get a legal opinion if there is any doubt.

*b.* Subject to the following exception, vendor pay offices will assert the U.S. Government's immunity or exemption from taxes whenever it is available. For economy and reduced paperwork, do not assert immunity or exemption when the tax is \$10 or less unless the vendor will grant a tax exemption without a tax exemption certificate. Instead, pay the tax.

*c.* On imprest fund purchases, for economy and reduced paperwork, state and local taxes may be paid on all transactions regardless of dollar value. However, if immunity is asserted on an imprest fund purchase, the tax on the transaction must exceed \$10 before SF 1094 (U.S. Government Tax Exemption Certificate) is issued.

*d.* Do not use U.S. Government tax exemption certificates for--

(1) Purchases subject only to Federal taxes.

(2) Purchases on which the tax is \$10 or less.

(3) Purchases to operate or maintain personally owned motor vehicles for which mileage has been authorized.

(4) Purchases for subsistence if per diem has been authorized.

(5) Purchases by employees in official travel status that were for official use but that were not paid for at the time of purchase.

### 20-136. Taxes on communication services

Per 26 U.S.C. 4293, the U.S. Government is exempt from Federal taxes on communication facilities furnished to and paid for by the U.S. Government. This does not include facilities furnished to a U.S. Government contractor (Revised Ruling 68-276, 1968-1 CB 493; Revised Ruling 72-218, 1972-2CB 343). Exemption can be made with or without the use of an exemption certificate. The installation contracting officer is responsible for preparing tax exemption certificates.

### 20-137. Federal excise tax on fuels

a. The purpose of a Federal Excise Tax (FET) on fuels is to support the highway system. The policy is quite simple; however, the procedures to implement this policy get quite cumbersome. All fuel used off-highways is tax exempt, including fuel of any kind used in boats and ships or other non-highway use on a U.S. Government facility. All active U.S. Army and U.S. Army Reserve (USAR) purchases for on-highway use will include FET; all ARNG purchases are tax exempt. Maintain accurate records on the use of fuels by active U.S. Army and USAR units, whether the fuel is purchased locally or from the Defense Fuel Supply Center (DFSC).

b. Since these procedures went into effect in January, 1989, there has been some confusion among vendors about who is or who is not tax exempt. The following IRS-approved exemption certification must be delivered to the commercial vendor at the time of purchase:

Date

*The undersigned purchaser hereby certifies that (check applicable type of certificate) of the fuel specified in the accompanying order, or on the reverse side hereof*

(or)

*All fuel ordered by the purchaser for a period beginning on (date) and ending on (period not to exceed 12 calendar months) will be used for the following tax-exempt or tax-reduced purposes (check one):*

(1) Use as a fuel in a diesel-powered train \_\_\_\_\_.

(2) Use as a fuel in an aircraft in commercial aviation \_\_\_\_\_.

(3) Use as a fuel in a school bus or qualified local bus \_\_\_\_\_.

(4) Use as a fuel in a local or intercity bus (Other than a school bus or a qualified local bus) \_\_\_\_\_.

(5) Use as fuel in a "nontaxable use" as that term is defined in Section 6427(1)(2) of the Internal Revenue Code \_\_\_\_\_. (Such uses include off-highway business uses and use on a farm for farming purposes.) If purchaser is a railroad or a commercial airline (after January 31, 1989), or purchaser has been notified by the District Director of Internal Revenue that purchaser must register, purchaser's certificate of registry number is (number). If this taxable fuel is resold or used for a purpose other than as stated in this certificate, then purchaser may be subject to tax. Purchaser will be prepared to establish by satisfactory evidence the purchase for which

*purchaser used the product bought under this certification. Purchaser understands that any fraudulent use of this certification to buy any taxable fuel free of tax or at a tax-reduced rate may subject purchaser to penalties of perjury, which may include fine or imprisonment.*

Employer

Identification Number (EIN)

Signature

Title

Address

**(Delete any portion of this certificate that does not apply.)**

c. Some vendors may still require payment of the FET. In this case, pay the tax and file for a refund as indicated below.

d. Pay for bulk fuel purchases from DFSC at standard price. This price includes FET. Vendor pay personnel will request refunds for FET paid through the bulk fuel and the posts, camps, and stations programs for the portion of the fuel used on U.S. Government-owned land.

e. Vendor pay personnel will also claim a refund on TD Form 8849 (Claim for Refund of Excise Tax) if FET was paid on the fuel purchased locally and it was used for a tax-exempt (off-highway) purpose. Prepare this refund request quarterly unless the dollar amounts are high enough to justify a monthly request. IRS will return requests for \$1,000 or less.

f. If FET was not paid at the time of purchase, vendor pay personnel must pay the tax on fuel on TD Form 720 each quarter for tax exempt fuel purchased locally and used on highway. Make any refund claim separately from the payment of the tax but forward both to the local or regional IRS office servicing the geographic area in which the paying office is located." g. All fuel used in "war vessels" is tax exempt (48 CFR 29.202). Request refunds for any tax paid for fuel used in aircraft, tanks, or other combat type vehicles.

### Section XIV

#### Apprehension and Confinement

### 20-138. Apprehension rewards and reimbursements

Certain rewards are authorized for apprehension, detention, and return of absent without leave (AWOL) military members to military control. The vendor pay office of the military facility to which the absentee is returned to military control pays the rewards and reimbursements. Rewards paid to non-incorporated individuals are subject to taxation. Issue a TD Form 1099-MISC to the payee if payments equal or exceed \$600 in a calendar year.

### 20-139. Eligibility

a. Rewards. Generally, persons or agencies who apprehend, detain, or deliver to military control



absentees, deserters, or escaped military prisoners of the U.S. Army, U.S. Air Force, U.S. Navy, or U.S. Marine Corps are eligible to receive a reward. If two or more persons apprehend, detain, or return the member, pay the reward to only one person or agency. The following persons are not eligible for reward payments:

(1) Salaried employees of the U.S. Government, including members of the uniformed services.

(2) Any person or agency that merely furnishes information leading to an apprehension.

(3) Any person or agency who influences an absentee, deserter, or escaped military prisoner to surrender.

*b. Reimbursements for actual expenses incurred.* When a reward has not been offered or when conditions for the payment of a reward cannot be met, a reimbursement of actual expenses incurred, not to exceed \$75, may be paid to persons or agencies who apprehend, detain, or deliver to military control any absentee, deserter, or escaped military prisoner. If two or more persons perform this service, make payment to only one. Employees of the U.S. Government, service members to whom an absentee surrenders, attorneys who advise the absentee to surrender to military control, and other persons not entitled to receive a reward may be reimbursed for actual expenses incurred.

*c. Foreign persons or agencies* Foreign civil authorities or nationals may either be paid a reward or reimbursed for expenses incurred not to exceed \$75. Payment is authorized if the commander of the major command responsible for the member determines such action is warranted, and satisfactory local arrangements are made concerning problems incident to apprehension.

*d. Dual payment prohibited* Payment is limited to either a reward or reimbursement of actual expenses (not to exceed \$75), not both.

## **20-140. Payment conditions**

*a. Rewards.* Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of DD Form 553 (Absentee Wanted by the Armed Forces), oral or written communication from military or Federal law enforcement officials, or entering individual's name in the National Crime Information Center constitutes notification.

*b. Amounts payable.*

(1) A reward of \$50 is paid for the apprehension and detention until military authorities assume physical control of the soldier.

(2) A reward of \$75 is paid for the apprehension and delivery of the soldier to military control.

*c. Reimbursable expenses* When a reward is not authorized, reimbursement for actual expenses incurred, not to exceed \$75, is paid for-

(1) Taxicab, bus fare, or mileage at the JTR rate established per mile for a privately owned

conveyance when travel is performed either by a citizen or officer and prisoner, or a round trip from either the place of apprehension or civil police headquarters to place of return to military control.

(2) Prisoner's meals paid for by the apprehending person or agency representative.

(3) Telephone or telegram cost.

(4) Damages to property of the apprehending person or agency if caused by the member during apprehension, detention, or delivery.

(5) Other expenses incurred in the actual apprehension, detention, or delivery of the member that the approval officer considers justifiable and reimbursable.

*d. Subsistence by civil authorities* Civil authorities may be reimbursed for cost of feeding members placed in their custody at the request of military authorities. It is only after military authorities assume physical custody of the detained member that actual costs of subsistence are reimbursable. This amount is in addition to rewards or other reimbursements authorized for the initial apprehension and detention.

*e. Non-reimbursable expenses.*

(1) Lodging at nonmilitary confinement facilities.

(2) Transportation performed by Federal, state, county, or municipal vehicles.

(3) Personal services of the delivering person or agency.

## **20-141. Voucher preparation and support**

*a. Preparation of SF 1034* The approving official designated by the commander of the installation to which the apprehended member was returned will prepare and approve the SF 1034. Show the following data on the voucher.

(1) The member's name, SSN, organization the member is absent from, and the date and place military authorities resumed control.

(2) A statement that the payee apprehended and detained or apprehended and delivered the member.

(3) If reimbursement is claimed for subsistence furnished by civil authorities, the inclusive dates the member was subsisted.

*b. Voucher support.* Support the voucher as follows:

(1) Reward payment. Attach a copy of DD Form 553 (Absentee Wanted by the Armed Forces) or a certificate from the absentee's organization or written notification from military or Federal law enforcement officials stating that the absentee's return to military control was desired.

(2) Reimbursement payment. Attach an itemized statement of allowable expenses. If payment is to be made to a foreign person or agency, include a statement to show the payment is authorized by the commander, or designee, of the major command responsible for the member.

*c. Payment.* After receiving SF 1034 claiming payment, the vendor pay office of the installation to which the member is returned reviews the voucher

for propriety and, if proper, processes the payment to the person or agency concerned.

#### **20-142. Confinement costs in non-military facilities**

*a. Absentees.* Civil authorities may be reimbursed for confinement costs of absentees, deserters, or escaped military prisoners detained at the request of the appropriate military authority after the member has been turned over to military control. Do not charge these confinement costs to either enlisted members or officers. However, charge an apprehended officer for all subsistence costs. Do not pay reimbursement for subsistence costs for the same period of time covered by a reward payment, but for the confinement cost from the date further confinement was specifically requested by the appropriate military authority. This reimbursement does not preclude paying a reward or reimbursing reasonable expenses for time prior to the soldier's delivery to military control.

*b. Prisoners.* When the use of nonmilitary confinement facilities is contracted for by military authority because military confinement facilities are not available for prisoners, pay civil authorities for the confinement costs. These costs are not properly chargeable to the prisoner. The term prisoner is not restricted to absentees, deserters, or escaped military prisoners, but includes all persons who are in military custody regardless of the offense for which charged.

*c. Confinement costs.* Use SF 1034 to pay confinement costs of military prisoners in nonmilitary facilities.

*d. Chargeable appropriation.* Rewards, actual expenses for apprehending absentees, and confinement costs in non-military facilities are charged to the applicable appropriation, (for example, MPA). (See DA PAM 37-100-FY.)

*e. Military guards.* See Chapter 40 of this regulation for travel costs when military guards return members to military control. When a military absentee, deserter, or prisoner is being escorted to a duty station and is without funds for transportation, lodging, or meals, the military guard or escort may buy them for him or her. The military guard or escort will be reimbursed on the travel or per diem voucher covering transportation. Paid receipts from vendors are required as documentation. Charge the pay accounts of the soldier being guarded with these expenses. (See JFTR, Volume 1.)

*f. Health and comfort supplies.* Health and comfort payments may be paid to soldiers who are in civilian confinement, if authorized. Consult your local JAG office for authority.

### **Section XV**

#### **The Junior Reserve Officers' Training Corps Program**

#### **20-143. Junior Reserve Officers' Training Corps (JROTC) instructors**

To support the JROTC Program, the U.S. Army details commissioned and noncommissioned officers to JROTC institutions as administrators and instructors. In addition to detailing active duty soldiers, the U.S. Army may authorize qualified institutions to employ retired soldiers whose qualifications and subsequent performance are approved by the SA and the institutions concerned. Major commanders may conduct orientation programs for JROTC instructors. Expenses incident to travel and housing are paid by the U.S. Army. Invitational travel orders (ITOs) are issued for this purpose per JTR, Volume 2.

#### **20-144. Participating schools' verification**

In order to verify that schools requesting payment are active participants in the JROTC Program, MACOMs will furnish the vendor pay office designated to make payments to the school an authenticated copy of the countersigned DA Form 3126 (Application and Agreement for Establishment of a Junior Reserve Officers Training Corps Unit). The MACOM will notify the responsible vendor pay office when the school's participation in the program ends.

#### **20-145. Instructors' pay**

*a.* Pay authorized retired instructor personnel employed by the school whose qualifications are approved by DA in the amount that, when added to their retired pay, will equal the amount of their active duty pay and allowances exclusive of hazardous duty pay. Active duty pay and allowances means the current pay and allowances authorized for the rank or grade of the person if called to active duty at current retired rank or grade. Allowances include quarters and subsistence allowances for all individuals so employed and uniform maintenance allowance for retired enlisted personnel. Include station housing and cost-of-living allowances if such allowances would be paid to active duty personnel on duty at the institution. Do not include special and incentive pays.

*b.* There is no limit to the amount schools may pay JROTC instructors, but the amount the U.S. Army may reimburse the school is limited. For each retired instructor who the SA authorizes employed by the school, DA will pay to the school an amount equal to one-half the difference between the instructor's retired pay and any active duty pay and allowances that would be received if ordered to active duty. Consider all the retired pay even though a portion may have been waived in order to receive other compensation.

*c.* Schools must determine the amounts due retired and noncommissioned officers employed as instructors. The paying office designated by MACOM to service the school will furnish retired and active duty pay figures for those employed. Finance and accounting offices can get information on retired pay

from the Director, DFAS-IN, ATTN: DFAS-IN/FRD, 8899 East 56th Street, Indianapolis, IN 46249-1526. Forward requests on an individual case basis. The schools are responsible for adjusting instructors' pay if there is a change in retired or active duty pay.

#### **20-146. Deductions from instructors' wages**

Instructors' wages are subject to the same deductions as all other wages in which an employer-employee relationship exists. Deductions for taxes, insurance, dues, fees, and so forth, are the school's responsibility. The compensation received by instructors is not considered to be military pay and allowances, even though the amount received is equal to the military pay and allowances that would be received if the instructors were recalled to active duty. All the time employed as an instructor after the retirement date is creditable in determining the amount of active duty pay and allowances. Longevity increases will accrue during the period of the contract thereby creating periodic pay increases.

#### **20-147. Payments to schools**

a. To pay authorized instructors, the school submits SF 1034 in duplicate to the vendor pay office designated to service the school. The SF 1034 may be submitted at regular intervals, not more frequently than once per month, and at no time in advance of services performed. An authenticated copy of the document furnishing pay figures to the school must be attached to the SF 1034 as a supporting document.

b. Complete the SF 1034 as follows:

(1) Under the heading ARTICLES OR SERVICES, enter "Salaries of Junior ROTC instructors."

(2) Under the heading QUANTITY, enter "1." Enter each instructor separately.

(3) Under the heading COST, enter monetary allowance per instructor as authorized by DA.

(4) Under the heading PER, enter "Instructor."

(5) Under the heading AMOUNT, enter the total for each instructor separately.

(6) The completed SF 1034 must have the signature and title of the school official submitting the request for payment.

c. Outside certifying officials may be used to certify these payments. Standard appointment and auditing features must be in place before the procedure begins.

#### **20-148. Advancement on retired list**

When retired enlisted personnel employed as JROTC instructors advance to officer grade on the retired list, they may be employed in the officer grade, provided-

a. The individual meets DA qualifications required for officer instructors.

b. The cost to the U.S. Government does not exceed the amount paid to the school to employ the person as an enlisted instructor.

c. The authorized staffing limitations are not exceeded.

#### **20-149. Contract relationship between school and instructor**

The school and JROTC instructor negotiate contractual matters between them. The U.S. Army will reimburse the school for up to 12 months per year for the period written into the contract provided that services are actually performed per the terms of the contract. Reimbursement will be made for not more than 30 days' leave per year if included in the contract. The U.S. Army will not reimburse the school for any portion of extracurricular services for the school.

#### **20-150. Use of cadets in JROTC recruiting activities**

Recruiting funds may be used to pay expenses of JROTC cadets used in recruiting activities. ITOs are issued and cadets receive funds for per diem and travel per JTR, Volume 2. Cadets are not considered to be on active duty under these circumstances.

### **Section XVI**

#### **Commissary Transactions**

#### **20-151. General information**

This section covers payments to U.S. Army commissary suppliers for items sold to commissaries for resale.

#### **20-152. Brand name contracts**

a. The Defense Personnel Support Center (DPSC) of the DLA establishes brand name contracts for certain items for resale in commissary stores. DLA publishes these contracts in DLA Supply Bulletins 10-500 and 10-600 series. The use of the DLA Supply Bulletins is mandatory except when quantities needed do not meet minimum shipping quantities specified in the DLA Supply Bulletins.

b. When an item is available under a brand name contract, ordering officers will order it from the supplier named in the DLA Supply Bulletin at the stated price unless the supplier offers a voluntary price reduction.

c. When the DLA Supply Bulletins offer a prompt payment discount, determine the discount period from the date on the invoice. Do not take discounts unless all conditions of the offer are met. Follow the payment terms in the DLA Supply Bulletins.

#### **20-153. Blanket purchase agreements (BPAs)**

Contracting officers may establish BPAs and authorize U.S. Army commissary stores to place calls against pre-priced BPAs. All shipments under the BPAs must be accompanied by delivery tickets or sales slips that will contain the following information as a minimum:

a. Supplier's name.

- b. BPA number.
- c. Call date.
- d. Call number.
- e. Itemized list of supplies or services furnished.
- f. Quantity, unit price, and extension of each item less applicable discounts. (When this information is incompatible with automated systems, it need not be shown provided that the supplier's invoice is itemized to show the information.)
- g. Delivery or shipment date.

#### **20-154. Accounting and disbursing procedures**

- a. *Cutoff date.* The cutoff date for billing purposes is the last calendar day of the month.
- b. *Overpayments* When a supplier has been overpaid for any reason, make the adjustment on the following month's invoice. Take the credit for the overpayment and refer to the contract or purchase order number and to the supplier's invoice number. Notify the accounting branch of all overpayments since they are required to establish a refunds receivable.
- c. *Billing errors.* Do not delay paying bills because of minor errors. When invoices containing minor errors are received:
  - (1) If the price stated on the invoice is higher than the price stated in the order, pay at the price stated in the order for the quantity received.
  - (2) If the price stated on the invoice is less than the price stated in the order, pay at the price stated on the invoice for the quantity received. Inform the vendor of the price discrepancy.
  - (3) If an invoice is received with an unidentified discrepancy of \$10 or less, whether or not in favor of the U.S. Government, do not delay payment. Pay the bill promptly and later adjust the difference with the vendor. Fully explain all adjustments to the vendor.

#### **20-155. Short or damaged shipments**

Do not ask vendors to replace shortages or damages. Make payment for the goods actually received and accepted. Furnish vendors complete references to the exceptions, including any papers necessary to support claims against carriers. If the commissary requests replacement and the vendor agrees to replace the lost or damaged articles, the vendor must submit a separate invoice for the replacement.

#### **20-156. Ordering and billing in standard commercial units**

- a. Except for BPAs, contracts that call for frequent deliveries of perishable subsistence items such as milk, bread, or produce, vendors must furnish delivery tickets stated in standard commercial units. Monthly invoices must show the dollar value of the total monthly deliveries and give the delivery ticket numbers and the contract or purchase order numbers.

b. Per BPAs, vendors must furnish delivery tickets in standard commercial units and identify delivery ticket and contract numbers. Pay these invoices per the terms of the contract. Use the delivery ticket for both an invoice and receiving report if it meets all the requirements of an invoice. The commissary officer must give the paying office an original and three copies.

- c. When the standard commercial unit is cases of varying sizes, show the number of units per case on the invoice (for example, case of 12, case of 18, case of 24, and so forth).

### **Section XVII Payments Under Property Leases**

#### **20-157. General**

- a. Leases are subject to the statutory and regulatory provisions applicable to U.S. Government contracts, as well as the specific statutory provisions pertinent to leases.
- b. A lease is a contract by which the use of land or building is conveyed for a specified time at a specified rate of compensation. Leases describe-
  - (1) The premises.
  - (2) The specific period involved.
  - (3) The purpose for which the land or building is to be used.
  - (4) The amount of rent and method of payment.
  - (5) Special services included (such as heat, light, water, and janitorial service).
  - (6) Any restoration provisions.
- c. If the lessor fails to provide the services called for in the lease, the lessee (DoD) may pay the services cost and deduct the amount from the lease rental payments.
- d. Lease payments are included the PPA and interest is due on late payments. Payments are due as dictated by the lease. If the lease is silent on the due date, payment is due 30 days after the end of each billing period. Include the payments in the PPA report as disbursements subject to PPA. If the lessor is a non-incorporated individual, these payments are subject to taxation; a TD Form 1099-MISC would then be necessary.

#### **20-158. Rent computation**

- a. *Fractional parts of a month* Make payment for part of a month for leased premises based on the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy (10 Comp Gen 540).
- b. *Monthly installment payments of annual rent.* Under a lease, the term of which begins on a certain day other than the first of the month and which provides for payment of rent on a monthly basis at a stipulated annual rate, the monthly rent installments become due and payable on the day of each month

numerically corresponding to the day the term began, less one day. The amount of each such installment will be one-twelfth of the annual rate, regardless of the number of days in any calendar month (24 Comp Gen 838).

#### **20-159. Party entitled to rental payment**

a. When the U.S. Government leases and occupies land, the rental payment cannot be avoided because of any defect in the title of the lessor at the time the lease was made (9 Comp Gen 593).

b. When the U.S. Government occupies land owned by several tenants in common under an agreement with one of them and without objection by the others, such tenant in common is entitled to receive the rent.

c. When property leased to the U.S. Government is sold on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed (15 Comp Gen 195). When leased property is sold, attach a copy of the deed of sale to the lease contract (4 Comp Gen 193).

d. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. Do not prorate the payment for several owners who may have owned the premises for a portion of the rental period. Pay it to the owners who hold title on the day payment is due.

#### **20-160. Payment for leased land**

a. Do not pay for leased land in advance (23 Comp Gen 653 distinguished by 25 Comp Gen 834). Leases in foreign countries are exceptions if local custom or Status of Forces Agreements dictates.

b. Costs to improve leased land are not authorized unless the lease provides for the U.S. Army to make improvements (6 Comp Gen 943).

#### **20-161. Payment of taxes on property**

Although taxes are not payable by the U.S. Government as the owner of real property, they are properly payable as part of the rent when specifically included in the terms of the lease (24 Comp Gen 705).

#### **20-162. Payment of rent in connection with termination of lease**

Payment is based on the terms of the lease. Leases containing standard Corps of Engineers termination clause require payment for the day after the notice of termination is mailed plus 29 days more. Leases with other termination provisions must be analyzed by the contracting officer on an individual basis. Vendor pay personnel then pay such costs as directed by the contracting officer.

#### **20-163. Limitation on annual rental payments**

a. The annual rental of any premises for U.S. Government use is limited to 15 percent of the fair-

market value of the property (40 U.S.C. 278a). This provision may be waived if the Secretary of the Army or designee executes a certificate that the premises are vital to the national interests. A certificate of this nature made by one agency is not automatically applicable to another agency when the leased premises are transferred (27 Comp Gen 426). Fair-market value may be established by the assessed valuation fixed by the city or county assessor on the date of the lease (14 Comp Gen 83). When a new lease is made, a new fair-market determination must be made.

b. Repairs are limited to 25 percent of the amount of the rental for the first year of occupancy or the rental term, if for a period of less than a year (40 U.S.C. 278a). In a lease for multiple years, expenditure of the whole 25 percent in the first year would prohibit any more expenditures for the remainder of the term (18 Comp Gen 675). The lessor may be paid a specified amount of rent and an additional amount for repairs (15 Comp Gen 787). Alterations that are permanent in nature are subject to the limitation. Temporary partitions and other movable equipment are not subject to the 25 percent limitation (20 Comp Gen 105).

#### **20-164. Restoration of leased property**

Where the lease provides for restoration of the property upon termination of the lease, the lessee (DoD) is obligated to restore the premises to the original condition, excluding ordinary wear and tear. In lieu of restoration, a cash settlement may be paid, the amount of which cannot exceed what the lessee (U.S. Army) would have paid for restoration (15 Comp Gen 492). Rules and procedures are:

a. Ordinary wear and tear are excluded in the restoration of property to its original condition.

b. Restoration requirements beyond fair wear and tear are a question of fact. Contracting and engineering officers' decisions on controversial factual matters are accepted by the GAO unless the lessor can legally support the individuals' position (Comp Gen B-151128, May 10, 1963, and B-154114, May 20, 1964).

c. The measure of damages for breach of a covenant (lease) to restore is not determined solely on restoration cost. Restoration cost is merely one factor. The diminution of value may be applied based upon the location, character, and other material features concerning the premises (Comp Gen B-123785, August 24, 1956).

d. The U.S. Army is liable for damages for waste placed on a lessor's property. This principle is implied in the lease whether stated or not (7 Comp Gen 243).

e. Restoration costs are not considered repairs or alterations and are not included in the 25 percent limitation on repairs (26 Comp Gen 585).

f. Rent may be paid during the restoration period. After the lessor has executed a release upon

restoration or cash settlement, no additional amounts may be paid (23 Comp Gen 632).

g. In place of restoration, pay the money amount agreed upon by the U.S. Army and the lessor. The amount cannot be greater than the cost of restoration would have been (15 Comp Gen 492). If this is done, a supplemental agreement to the lease is issued. The settlement payment is supported with-

(1) A joint survey and inspection report of the premises as of the lease commencement date.

(2) Notice of cancellation of the lease, with acknowledgment of cancellation by the lessor.

(3) Lessor's written request for restoration.

(4) Detailed listed and cost of items included for restoration.

(5) statement covering what the actual cost to the lessee (DoD) would be.

(6) Estimated value of improvements retained by the lessor.

#### **20-165. Lease renewals**

Leases may not be renewed beyond the limiting dates provided in the lease and cannot specify a higher rate, except when the lease gives the lessor the right to terminate the lease. If termination rights are exercised, the new lease may provide for a high rate (21 Comp Gen 617).

#### **20-166. Recurring rental charges**

The lessor does not have to submit invoices for regularly scheduled rental payments; they are paid without invoices. Exception receiving report procedures may be used. These procedures require the using activity to submit two receiving reports: one at the end of the first billing period and the other at the end of the lease agreement. The using activity has to agree to immediately inform the vendor pay office of any changes in the lessor's performance under the lease. Each payment voucher must identify the lease and the rental period being paid. Outside certifying officials may be used for these payments.

#### **20-167. Leases in foreign countries**

The SA or his or her designee may lease structures and real property not located on a military base but are needed for military purposes. The lease may not be for a period of more than five years (10 U.S.C. 2675). Lease of foreign-made equipment may also be made (FAR 25.102 and 25.302). Make payments in foreign currency when feasible.

### **Section XVIII**

#### **Clothing Sales Payments**

#### **20-168. Charge sales**

a. Enlisted soldiers in a pay status and with more than 60 days of active duty before discharge or separation may buy clothing from the Army and Air Force Exchange Service (AAFES) clothing sales stores using charge procedures in emergency

situations. The requirement to make up shortages for an inspection is not considered an emergency, whereas fire or theft of clothing, undue delay in pay and allowances, lost personal funds, and other similar situations are considered emergencies.

b. The soldier's unit commander prepares an original and five copies of DA Form 3078 (Personal Clothing Request); the individual retains one copy. The soldier takes these documents to his or her servicing paying office, military pay section. The military pay section-

(1) Verifies that the soldier is in a pay status.

(2) Puts the soldier's estimated date of separation from the U.S. Army on each DA Form 3078.

(3) Writes the soldier's servicing DSSN on the DA Form 3078.

c. The soldier takes the DA Forms 3078 to the U.S. Army Military Clothing Sales Store (AMCSS) and buys the required clothing. The AMCSS clerk puts the quantities purchased and the total amount of the sale; the soldier signs all copies to show receipt.

d. AMCSS keeps two copies of the DA Form 3078. AMCSS personnel add an AAFES Form 7250-5 (Credit/Charge Voucher) to each original and one copy of the completed DA Form 3078 and sends them to the servicing vendor pay office.

e. Vendor pay personnel will:

(1) Check the voucher, DA Form 3078 for required signatures and information.

(2) Check and confirm extensions and total amounts of the bills. Increase the amount and pay vouchers which have arithmetic errors of \$30 or less. Send back to the AMCSS for correction any vouchers that have errors of \$30.01.

(3) Prepare the SF 1034.

(a) Payment is to the billing AMCSS store.

(b) Put the following information in the Articles or Services Block:

1. The AMCSS invoice number.

2. Billing date.

3. "See attached DA Forms 3078."

(c) Add the correct accounting classification-MPA, NGPA, or RPA.

(4) Mail one copy of the voucher to the AMCSS with the check.

(5) Send one copy of the voucher and supporting documents to the soldier's servicing military pay section for collection from the soldier's pay.

#### **20-169. Mail order charge sales**

Anyone who is authorized to buy clothing from AMCSS may also make mail order purchases when stores are not available. Process AMCSS charge mail order sales like individual charge sales per paragraph 20-168. The soldier sends the original and four copies of the DA Form 3078 to the proper mail order AMCSS, with a transmittal letter. After AMCSS ships the order, the store follows the procedures given above. Store personnel must mark the

AAFEES Form 7250-5 "Mail Order Shipped on (Date)" and sign and date it.

## **Section XIX**

### **Other Payments**

#### **20-170. General Services Administration (GSA)**

a. Various goods and/or services provided by GSA are billed to the U.S. Army as follows:

(1) General Supply Fund. Federal supply service billings are produced twice monthly for materials shipped from depots, customer supply centers, direct deliveries from vendors, copies of Federal specifications and standards, and for fuel (Washington, DC, area). Billings are on GSA Form 789 (Statement, Voucher, and Schedule of Withdrawals and Credits) or by automated interfund billing. GSA Form 789 is supported by GSA Form 952 (Detail Billing Register), which provides line item detail to support the billing. Report damages or discrepancies in materials received that exceed \$50 per line item to General Services Administration, Discrepancy Reports Center (DFR), 1500 E. Banister Road, Kansas City, MO 64131-3088. Use either SF Form 361 (Transportation Discrepancy Report) or SF Form 364 (Report of Discrepancy) as applicable. Annotate any damages noted at the time of receipt on the GBL or commercial bill of lading. Report quality deficiencies for items over \$25 per line item to the Discrepancy Center on SF Form 368 (Product Quality Deficiency Report). On request, the Discrepancy Reports Center will provide a manual/guide that shows examples of all the discrepancy report forms and instructions for filling them out. Call DSN 465-7447 or commercial 816-926-7447 to obtain the manual. Damages or discrepancies less than \$50 per line and quality deficiencies less than \$25 per line item must be absorbed.

(2) Fleet management services. Motor pool services are billed monthly for the prior month's services on GSA Form 789 and GSA Form 2529 (Detail Billing Register). Submit problems with equipment or amounts billed to the Fleet Management Center that provided the equipment.

(3) Automatic data processing (ADP) billings. These are produced for each work order bimonthly or monthly on GSA Form 789. A report of ADP services performed, which provides detailed U.S. Army accounting information, is provided with the billing. Submit questions about the billed amount or description of services to the attention of the GSA Information Resources Management (IRM) office that provides the services or to the GSA FAO.

(4) Federal Telecommunications (FT) billings. These are billed to the U.S. Army monthly on GSA Form 789. GSA Form 789 provides summary information and is supported by a detail record sheet, a report of FT services performed that details electronic services, or various Telephone Inventory

Accounting System reports that detail charges. Submit questions about billed amounts or description of services to the GSA IRM office that provides the services or to the GSA FAO/DAO.

(5) Work performed by GSA for the U.S. Army. Such work over the commercially based rent standard charges is authorized using GSA Form 2957 (Reimbursable Work Authorization (RWA)). Charges citing the RWAs are billed monthly or quarterly to the U.S. Army via GSA Form 789, which is supported by a Federal building fund detail billing register (computer listing). Submit questions about work performed on a RWA to the GSA production base support office that controlled the RA.

(6) Rental of GSA-controlled space. Rental is billed quarterly in advance on GSA Form 789 and is supported by a billing record that provides a detail of the assigned space, including building information, square footage, type of space, and rent amount. Rent billings for the U.S. Army are sent to and controlled by the USACEs.

(7) Printing and/or photographic services. These services are billed monthly on GSA Form 789 with supporting detail lists. Submit questions about work performed or amounts billed to the GSA printing plant where the work was performed.

(8) Training. This is billed monthly on GSA Form 789 with supporting detail lists. Submit questions about courses billed or billing amounts to the GSA Training Center.

b. Pay GSA billings, using GSA Form 789 as the payment voucher, by check or fund transfer within 15 days of receipt. Bring exceptions, noted either at the time of payment or in post audit, to the attention of GSA by a notation on the returned billing statement or by separate communication. GSA will reflect approved adjustments in subsequent billings.

c. The phone number of the GSA billing office is shown on each billing. Direct questions or comments concerning the billing or payment process to that telephone number. Put the GSA bill number and the dollar amount paid for each bill either on the check or on check enclosures. Make payments to the remittance address shown on GSA Form 789.

#### **20-171. Accounts payable - U.S. Government Printing Office (GPO)**

a. GPO will bill activities using either the SF 1080 (for existing printed publication) or GPO Form 400 (GPO Invoice) (for all other requests). Use these two forms and voucher for payment. Ensure that the payment voucher includes the invoice number, the print order number, and the jacket number. If this information is not available, call commercial 202-512-2083 for assistance. Send payments to the address cited on the GPO Form 400 or SF 1080 within 15 days from receipt of invoice. (NOTE: TITLE 44 U.S.C., SECTION 310 REQUIRES ALL GPO BILLS TO BE PAID WITHOUT AUDIT OR VERIFICATION AND WITHIN 15 DAYS FROM

RECEIPT OF INVOICE.) Ordering activities will ensure that GPO billings are sent to the paying FAO/DAO. (NOTE: All print request must show the address of the paying office.) This will allow the paying office to make payment within the prescribed 15 days.

b. To request adjustment of discrepancies to GPO bills, call commercial 202-512-2083. Submit writ-ten requests (as a last resort) for adjustments to U.S. Government Printing Office, ATTN: Billing Branch (FMCB), Washington, DC 20401-0001. When requesting adjustments from GPO, cite the invoice number, the "jacket number" on the invoice, and the print order number on the invoice if applicable.

#### **20-172. Communication services**

a. The Directorate of Information Management receives monthly bills from contractors who pro-vide communication service to DoD installations and activities. The designated officer prepares and certifies vouchers to pay these bills, The designat-ed paying office pays all bills for communication services furnished under a written or implied agreement or contract.

b. The paying office bills and collects for unoffi-cial communication services. When commercial communication service is furnished through a U.S. Army communication facility, funds to cover the determined cost of the commercial service for unofficial use, including tax, must be collected from the user. Amounts collected are accounted for as a reimbursement to the OMA appropriation, except that the portion of the collection for unofficial telegraph service, state and local taxes on unofficial telegraph service, and Federal taxes are accounted for in deposit fund account 21X6875. Cash collections for telephone and telegraph services not established as accounts receivable will be reported as cash sales.

c. SF 1034 is used to pay the cost of official telephone business, unofficial telephone services furnished individual subscribers, and state and lo-cal taxes. All are paid from the OMA appropriation.

d. Procedures for telegraph service.

(1) Collections from unofficial telegraph service, state and local taxes on unofficial telegraph service, and Federal taxes are credited to DO Deposit Account 21X6875.0000. On or before the last day of the month following the close of the calendar quarters (March 31, June 30, September 30, and December 31), the finance and accounting officer/finance accounting officer reports Federal taxes on IRS Form 720 (Quarterly Federal Excise Tax Return) for the preceding quarter. The collected taxes are paid directly to the IRS district director for the district in which the FAO/DAO is located. They are paid on SF 1049 (Public Voucher for Refunds). Payment for unofficial telegraph service, including state and Local taxes, is paid monthly to the telegraph company on SF 1034.

(2) When preparing the voucher for IRS, the collection number, date, and the amount of the Federal tax on unofficial calls or messages must be shown. A copy of IRS Form 720 must be attached to the voucher. The forms can be obtained from IRS. Once a return is filed, IRS will mail a pre-addressed IRS Form 720 each quarter to the FAO/DAO making the return.

#### **20-173. Canadian purchases**

a. Because the United States and Canada are so close geographically, and because of their mutual interest in North American defense, various steps have been taken to coordinate economic efforts for common defense. It is DoD policy to assure Canada a fair opportunity to share in military equipment production. An agreement exist between the United States and Canada that states policies and procedures for all contracts for supplies and services placed with Canadian Commercial Corporation, an agency of the Canadian government.

b. Contracts placed with Canada must identify whether they are priced in Canadian or U.S. currency. When contracts are to be paid in Canadian currency, the contact price must be quoted in Canadian dollars, identified by the initials "CN" (for example, \$1,647.23CN.) The contract must include the U.S./Canadian conversion rate at the time of award and the U.S. dollar equivalent of the Canadian dollar contract amount.

c. CONUS finance and accounting officers/defense accounting officers will send all commercial invoices stated in Canadian dollars and payable from appropriated funds to DFAS-IN, Department 3802, 8899 East 56th Street, Indianapolis, IN 46249-3802.

#### **20-174. Recurring payments-fixed amount**

a. Payments for continuing services such as rent, equipment maintenance, janitorial service, leased equipment, utility, and so forth, that are performed under agency-vendor agreements calling for payments at fixed periodic intervals may be made without the vendor submitting an invoice or bill. When payments for services are due on several invoices with the same date, make voucher payments on SF 1166. The voucher must be certified for payment the same as all other vouchers. Vouchers for these payments must show the--

- (1) Contract or agreement number.
- (2) Period covered by the payment.
- (3) Name of the vendor.
- (4) Amount of the payment.
- (5) Account to be charged.

b. Administrative controls for these recurring payments must provide assurance that--

- (1) The contract is still in effect.
- (2) The amount being paid is correct.
- (3) Appropriate steps have been taken to prevent duplicate payments.



(4) Payment is not made in advance of service or equipment performance.

c. The certificate of performance prescribed in this chapter may be typed or stamped on a separate sheet of paper or on a memorandum copy of the voucher.

d. Normally, the due date for these payments is 30 days after the billing period ends. Interest penalties are due if payment is paid after the due date.

e. The finance and accounting officers/defense accounting officers may require receiving/acceptance reports for the first and last billing period on those recurring contracts is to be paid to the same vendor in each billing period. If finance and accounting officers/defense accounting officers establish this procedure, they must ensure that the receiving activity is informed that any change in service or contract conditions must immediately be reported to the paying office. Stringent controls, such as accurate entries on the bills register card, must be established to avoid duplicate payments.

#### **20-175. Payments Under Blanket Purchase Agreement (BPA)**

a. *BPA with billing period* If a BPA has a billing period, it is paid as directed if the BPA has a specific due date. If the BPA does not have a specific due date, payment is to be made 30 days after the end of the billing period, counting as "one" the day following the end of the billing period. If an invoice offers a discount, the discount period must be computed from the date of the invoice. Each 30-day payment includes all deliveries made during the billing period, as evidenced by acceptance reports. Although invoices or summary statements are to be filed in the official payment file, vendor pay personnel can make payment based on an acceptance report rather than on invoices or summary statements. If this method is used, put the following statement on the SF 1034 instead of citing an invoice number: "This payment is for all deliveries accepted during the billing period (date) to (date), (month), (year)". Since an invoice is not being used, write or stamp on the SF 1034: "Acceptance report maintained at (payment office)". The acceptance report must be available for audit.

b. *BPA without billing period* If a BPA is issued without a billing period, account for each delivery as if it is a separate purchase order. The payment is due 30 days after the goods or services are accepted or an invoice reaches the office designated in the BPA, whichever is later. If a discount is offered, whether in the BPA or on the invoice, payment is made on the last day of the discount period.

#### **20-176. Payment consolidation**

To minimize the number of vouchers and checks issued, payments for multiple invoices or bills may be consolidated into a single payment under the following conditions:

a. Payment is to a single office or place of business.

b. Payment is to one U.S. Government agency.

c. The vendor agrees to the consolidated payment.

d. No discount is lost.

e. Payment is made with due under PPA.

#### **20-177. Motor vehicle operators' permits**

When personnel assigned to foreign countries are required to have motor vehicle operator's permits to perform their official duties, the fees for the permits may be paid from appropriated funds. However, the tenure of duty must be long enough to warrant the expense.

#### **20-178. Civilian instructors under non-personal service contracts**

a. Civilian instructors engaged by non-personal service contracts may be paid from appropriated funds. Payments are made according to the contract terms on the SF 1034 and processed the same as regular commercial account vouchers. Certifying officers usually prepare the voucher for finance personnel review. These payments are subject to PPA provisions and payments are scheduled for 30 days after the service is performed unless the contract specifies a different payment due date. Interest is due if payment is not made within 30 days after the U.S. Government accepts the service. Income tax is not withheld but IRS Form 1099 must be filed if income reaches or exceeds \$600 in any one calendar year for any one individual.

b. Wages, income reporting, and income tax withholding for DA civilian employees is made per AR 37-105 (Finance and Accounting for Installations: Civilian Pay Procedures) for civilian employees performing personal services.

#### **20-179. Honorariums or fees**

a. The proponent for policy and procedures for honorariums/fees for HQDA Secretariat within the National Capital Region is the office of the Administrative Assistant to the SA. The proponent for the remainder of the U.S. Army is the Vice Chief of Staff, Army. Excessive fees will not be paid to persons engaged to deliver speeches, lectures, and presentations. It is appropriate to pay honorariums or fees up to \$250.

b. In the words of OSD, "An Honorarium is not intended to be a fair and reasonable compensation for services rendered. It is only a token of our appreciation. Payment for a one-hour presentation during a luncheon, symposium, seminar, graduation ceremony, commemorative event or other similar occasion is normally an Honorarium, while payment for a program of instruction of several hours in length during an established course of instruction normally is not an Honorarium."

c. For those who insist on obtaining an exception to the \$250 limit, use the following chain of command.

Installation commanders will forward request to the MACOM commander. The MACOM commander will submit request to the Vice Chief of Staff, Army, who will either approve or disapprove the request. HQDA Secretariat within the National Capital Region will submit requests to the Office of the Administrative Assistant to the SA through the normal chain of command. U.S. Army staff level requests for waiver will be submitted to the Director of the Army Staff.

#### **20-180. Dependent education in foreign countries**

*a. Contract requirement.* Contracts to educate dependents of service members and civilian personnel in foreign countries must contain a statement that the SA has found that the schools, if any, available locally are unable to adequately educate dependents. Payments will not be made on contracts, payable from appropriated funds, that do not contain this statement.

*b. Private correspondence courses or tutors.* Payments will not be made to service members in localities without adequate schools who personally order private correspondence courses to educate their dependents or who personally incur tuition charges for their dependents in private schools.

*c. Sponsors of dependent children.* Sponsors of dependent children who require room and board away from their domicile in a private home over-seas (not within commuting distance) to provide the children an adequate education are authorized reimbursement for incurred costs. SF 1034 is used to reimburse the sponsor for room and board costs. SF 1034 must be supported by a certificate of performance, a receipt covering actual payment of room and board, and a signed statement from the school superintendent or principal that the room and board charge was reasonable for that area. There must not be a less expensive alternative way to provide an adequate education at a school within the same comparable distance.

#### **20-181. Postal charges**

*a.* When a procuring instrument states the U.S. Government will pay transportation charges and directs the vendor to ship by parcel post, the finance and accounting officer/defense accounting officer must pay the postal charges. The vendor's invoice must show the charges separately. The charges on the vendor's invoice will be accepted as correct without additional supporting evidence such as verification by weight or postal zone.

*b.* Registered letter fees on domestic surface mail cannot be paid from appropriated funds.

*c.* The U.S. Postal Service is reimbursed for costs of transporting military mail by commercial air between the United States and foreign countries.

#### **20-182. Reimbursement for reconnection costs**

*a. General.* Service members may be reimbursed for telephone, television cable, water, natural gas,

and electricity reconnection costs in situations when the service member moves non-PCS at the U.S. Governments' initiative from one set of quarters to another. For example, the U.S. Army requires the move because the vacated quarters will be uninhabitable while being relocated, altered, improved, or repaired. The service member must be furnished a written termination of quarters notice that sets forth the specific conditions under which termination is being done.

*b. Procedures.* Payment is made on SF 1034 with a copy of the termination of quarters notice and the paid receipt from the utility company.

#### **20-183. Payments for civilian and military training**

*a. General.* DD Form 1556 (Request, Authorization, Agreement, Certification of Training, and Reimbursement) is used to authorize and record civilian employee training at U.S. Government facilities (intra-agency and inter-agency), non-U.S. Government facilities, meetings, and for Defense Management Education Training (DMET) authorized under the provisions of Civilian Personnel Regulations (CPR) 410 (Training). The form can also be used for any or all of the following:

- (1) Training requests.
- (2) Authorization.
- (3) Obligated service agreement.
- (4) Certification of reimbursable or cost shared expenses.
- (5) Certification of authorized expenditures.
- (6) Record of training.
- (7) Evaluation instrument.

*b. Training in non-U.S. Government facilities.* The head of each DoD component may enter into agreement with non-U.S. Government training facilities when no adequate or reasonably available resource exists within DoD or another Federal agency. These arrangements must be advantageous to the U.S. Government. The head of each DoD component may redelegate authority to approve non-U.S. Government facilities training.

(1) Special training by contract. When a non-U.S. Government source develops a training course or program specifically for the U.S. Army, the authorized contracting officer contracts for the training based on a request from the responsible employee development specialist. This precludes using DD Form 1556 as a contracting document; however, the form must be completed to request and approve training for each individual to be trained. DD Form 1556 serves as a backup document to the contracting documents.

(2) Educational service agreements. These agreements are with established schools, colleges, universities, or other educational institutions for educational services using the institution's facilities, standard courses, and prevailing tuition and fees applicable to the general public. An educational service agreement is not a contract but a continuing

offer that the U.S. Government may accept by placing a request for service. Each service request results in a separate contract. These service agreements remain in effect indefinitely until terminated. Even though a dollar limitation is not established under these reimbursement conditions, the training officer will consult with the appropriate contracting officer and follow regular contract procedures when the price exceeds \$25,000.

(3) Payment for training at non-U.S. Government facilities. When training is properly authorized by an appropriate training official and does not involve a contracting function, DD Form 1556 may be used to certify payment of approved costs. Such certification does not involve a contracting function. For training done by contract, make payments as required by the contract; SF 1034 is used as a payment voucher.

*c. Training at U.S. Government facilities* Training at U.S. Government facilities authorized by an appropriate training official uses DD Form 1556 for certification for payment of approved costs. SF 1080 is used as the payment voucher.

*d. Request for tuition assistance* DA Form 2171 (Request for Tuition Assistance - Army Continuing Education Program) is used to authorize and record tuition assistance for service members attending educational institutions. Installation educational services officers (ESOs) accept DA Form 2171 from the student, check it for completeness and accuracy, and send one copy to vendor pay and another copy to accounting division. The educational institution will send an invoice for the U.S. Army's portion of tuition shown on DA Form 2171 to the ESO. The ESO will review and verify the amount, certify the invoice, and send it to vendor pay for review and payment.

#### **20-184. Payments when no valid contract exists**

*a.* When a contract has been lost. The terms of a lost contract may be proved by producing the original proposal, certified copy of its acceptance, and an unsigned copy of the contract. Then payment is authorized at contract rates for supplies actually delivered.

*b.* Completed contract. After delivery and final payment, a contract may not be amended to provide for increased prices.

#### **20-185. Unsatisfactory contract performance**

*a. Types.*

(1) *Default.* A contractor fails to carry out the terms of a contract.

(2) *Delay.* The contractor fails to furnish supplies or services within the time limit fixed in the contract.

(3) *Unsatisfactory supplies* Supplies that have been delivered and inspected are determined to be unsatisfactory and not in accordance with the terms of the contract.

*b. Liquidated damages* Liquidated damages are paid to the U.S. Government for performance delay or other breach of the contract terms at a rate

determined by contract. Actual damage to the U.S. Government is not required to be proven. Only the Comptroller General can approve repayment of liquidated damages to a contractor.

*c. Statement of payments under contracts involving liquidated damages* When payments are completed under a contract involving liquidated damages, the paying office prepares a statement showing voucher numbers, dates, and computation for total liquidated damages. The original copy of this statement is filed with the original contract.

*d. Special cases.*

(1) When a contract contains a liquidated damages clause based on price and also contains an offer of discount for prompt payment, deduct the liquidated damages without regard to the discount. Compute the discount on the gross contract price after deducting the amount of the liquidated damages.

(2) When a contract contains a liquidated damages clause based on a price that is modified and also contains an offer of discount for prompt payment, compute both the liquidated damages and the discount on the basis of the modified price.

(3) When a contract contains a liquidated damages clause based on price and also contains clauses providing for price reduction and for penalties, compute the liquidated damages based on the revised price without regard to penalties.

(4) Liquidated damages may not be deducted for delays resulting from changes in specifications covered by change orders issued under the contract. The change order specifies the changes, increase or decrease in price, and the number of days added.

(5) When a contractor abandons the contract, necessitating termination and letting the uncompleted portion to another contractor, no liquidated damages accrue to the United States after the date of termination. The only exception is a contract provision that liquidated damages will not cease to accrue at the time of termination.

(6) Partial payments, as distinguished from final payment, may be made on the periodic progress reports without deduction of liquidated damages for the time between the dates of an order to suspend and resume work or the delivery of supplies.

*e. Limitation of payment - defaulting contractor* A contractor who is in default under a contract with the United States is not paid the balance due on other U.S. Government contracts until the liability for the default has been ascertained and adjusted. A consolidated U.S. Governmental listing of indebted contractors is compiled and distributed to finance offices. When bankruptcy or insolvency occurs, provisions of Chapter 40 of this regulation apply.

#### **20-186. Inferior goods accepted**

A contract may provide for payment of a lesser amount for inferior goods accepted. In such case, the FAO/DAO pays as required on the contracting officer's determination. Usually such payment is

based on reasonable value instead of contract price. Payment is supported by contractor's invoice in the reduced amount. When a contract does not provide for acceptance at a reduced price, the contract is modified before making payment.

#### **20-187. Payment to contractor after appeal**

a. Payment to a contractor of an amount due because of an appeal sustained by the Armed Services Board of Contract Appeals (ASBCA) is made only on receipt of written authority from the contracting officer. Payment is made by the FAO/DAO designated in the contract.

b. For interest awarded a contractor by ASBCA.

(1) Interest rates are established by the Secretary of the U.S. Treasury under 41 U.S.C. 611 in January and July of each year. DFAS-IN issues the rate to all FAOs/DAOs by message.

(2) Interest is computed from the date the contracting officer receives the claim, or from the date that payment is due if that date is later, until the date of payment. Simple interest is paid on the claim at the rate used to pay interest under PPA.

(3) Interest charges stop on the date of final judgment by a court of competent jurisdiction or the date that a supplemental agreement is mailed to the contractor that either confirms completed negotiations between the parties or carries out a decision of the ASBCA.

(4) Each 6-month segment of the appeal period must show the applicable interest rate for that period.

(5) IRS reporting requirements on interest paid under PPA also apply to interest awarded a contractor by ASBCA.

#### **20-188. Blood purchase**

Blood may be purchased with appropriated funds for persons entitled to medical treatment at U.S. Government expense.

#### **20-189. Special drinking water**

Drinking water may be bought with appropriated funds only when the public water supply is declared unsafe for human consumption.

#### **20-190. Medical treatment provided by civilian sources**

a. Service members may be authorized to receive medical treatment from a non-U.S. Government doctor or hospital when away from U.S. Army treatment facilities. These payments are subject to interest penalties under the PPA if paid 30 days after the due date. Military Treatment Facility (MTF) personnel determine the due date based on the date they received all proper documents necessary to determine that the claim is valid. MTF personnel will enter the due date on SF 1034 before sending it to the servicing FAO/DAO for payment. Pre-approved medical treatment payment is due 30 days after the

invoice reaches the office designated in the authorization document.

b. If the service member is a recruiter, health benefits advisors fill out, address, and attach a postcard-size mailer U.S. Army Recruiting Command (USAREC) Form 792 (Medical Treatment Mailer) to all claims for treatment provided a recruiter. The servicing MTF will send it to the paying office with the SF 1034. The FAO/DAO personnel process the certified SF 1034 and detach, date stamp, and send the USAREC Form 792 to be metered and mailed.

#### **20-191. Patents, copyrights, and designs**

Appropriated funds available for acquiring materiel may be used to acquire the following if it benefits the U.S. Army:

a. Copyrights, patents, and applications for patents.

b. Licenses under copyrights, patents, and applications for patents.

c. Designs, processes, and manufacturing data.

d. Releases, before suit is brought, for past infringement of patents.

#### **20-192. Copies of official records or documents**

Fees required by local laws may be paid to proper officials for certified or photostatic copies of public records or documents required by a court, board, and so forth.

#### **20-193. Rewards for recovery of lost U.S. Army property**

Rewards may be paid only as specifically authorized by statute to persons or organizations for the return of lost property or information leading to its recovery.

a. *Conditions for reward payment.*

(1) Statutory authorization.

(2) The person(s) or organization(s) must know that a reward is being offered or that it is general practice to offer rewards for the return of particular U.S. Army property of information leading to its recovery.

(3) The claimant is not a service member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government.

(4) Payment is not inconsistent with local laws, prevailing customs or practices, treaties, or international agreements.

b. *Reward payments* Pay rewards from the funds of the activity concerned. Support the voucher with a copy of the offer of reward, a statement by the commander or designated representative that the requirements have been met, and a release from further claim signed by the claimant.

#### **20-194. Pollution control permits or fees**

In the absence of express Presidential exemption, U.S. Army facilities must abide by state or local laws for abatement and control of pollution. This includes obtaining permits and paying the associated fees. Use SF 1034 to pay claims based on the certification or approval by the environmental control officer.

### **20-195. Arbitrator fees**

Services of an arbitrator in negotiated grievance procedures of management and labor are normally provided by DD Form 1155 that specifies payment terms and conditions. Upon completion of services, the civilian personnel office certifies that services have been received. This certificate serves as documentation representing the receiving/acceptance report required for payment. Pay the arbitrator upon receipt of all required documentation.

### **20-196. Paid media advertisements**

a. *Statutory provisions.* The U.S. Government may not pay more than commercial rates for advertising including usual discounts. Advance written authority for the advertising is required from the Secretary of the U.S. Army or designee. The delegation specifies the limitation, if any, of the authority granted.

Administrative duties involved in accomplishing the advertising may be delegated in writing, personally signed by the delegate, setting forth the duties.

b. Request for authority to advertise. Use DD Form 1535 (Request/Approval for Authority to Advertise).

(1) The original DD Form 1535 must be filed with the first payment voucher and a copy filed with a copy of the voucher.

(2) All later advertising orders must cite DD Form 1535 that authorized the advertisements to be published.

(3) DD Form 1535 is not required as authority to place advertisements in media other than newspapers.

c. *Delegating authority* A copy of the instrument delegating authority to advertise and a copy of the instrument assigning administrative duties must be attached to the original and one copy of the voucher submitted for payment.

d. *Contracting documents* DD Form 1155 is used for advertising orders of \$25,000 or less and SF 33 (Solicitation, Offer and Award) is used for orders over \$25,000. The date and number of the instrument of delegation or assignment must be shown on DD Form 1155 or SF 33.

e. *Payment procedures* Proof of publication in the form of a "tear sheet" (advertisement copy) or an affidavit of publication attested to by the printer or publisher, radio or television station, or advertising agency concerned must accompany the vendor invoice for official advertising. When the invoice is received, the office placing the advertisement attaches required supporting documents and signs the certificate on DD Form 1155, or for orders over \$25,000, makes a similar certification on the second copy of the invoice (serving as the receiving/acceptance report), and submits the invoice in an original and three copies to the paying office for payment. Make payment to the vendor using either DD Form 1155 or SF 1034. Later payments may be

summarized on SF 1034 for orders comprising more than one payment.

### **20-197. Payment adjustments**

a. *Mistakes in contract price* Pay only the contract price specified in the contract when a contractor claims a higher amount on the grounds that a mistake was made in the contract price. Refer the claim for additional amounts to the contracting officer for settlement.

b. *Disposition of amounts withheld as wage underpayments.*

(1) *Davis-Bacon Act withholding* Transmit wage underpayments withheld under the Davis-Bacon Act through the Director, DFAS-IN, ATTN: DFAS-IN-GL, 8899 East 56th Street, Indianapolis, IN 46249-0160 to General Accounting Office, Claims Division, Washington, DC 20548. (Schedule of Withholdings Under the Davis-Bacon Act). Take such action only after the contractor refuses to pay employees the hourly rates shown in the contract. The FAO/DAO receives the properly completed SF 1093, Schedule Withholding Under Davis-Bacon Act and/or Contract Work Hours and Safety Standard Act, in original and two copies from the contracting officer. The attachments shown in the General Accounting Office Manual, Title 4, Chapter 7, Policy and Procedures - Manual for Guidance of Federal Agencies must accompany SF 1093. The finance and accounting officer/defense accounting officer deducts the amount of underpayments due the contractor's employees from amounts due the contractor. Make one check payable to the contractor after deduction of the wage underpayments. Make another check payable to the Treasurer of the United States for the total amount of wage underpayments. Send the check payable to the Treasurer of the United States through DFAS-IN to GAO, with the original and one copy of SF 1093. One copy of SF 1093 must support the original payment voucher.

(2) *Work Hours Act withholding* Wage underpayments withholding, under the Work Hours Act, is caused by contractors' refusal to pay overtime as shown in the contract. Submit amounts withheld through DFAS-IN to GAO as in paragraph 20-197 b(1), above. In preparing SF 1093, the contracting officer lines out "Davis-Bacon" in the form title and insert "Work Hours". The contracting officer follows procedures in paragraph 20-197 b(1), above.

### **20-198. Civilian clothing allowances for service members**

Entitlements, limitations, definitions, and policies on furnishing initial civilian clothing allowances to service members are contained in the Unit Supply Update. Make payment on SF 1034.

### **20-199. Contingency payments**

a. *General.* The instructions in this paragraph apply to disbursements made to funds in the Contingencies

Program. Each fiscal year the U.S. Congress appropriates funds in the Contingencies Program for the SA to use under the statutory authority in 10 U.S.C. 140. Operating agencies are notified of their funding programs. This notification provides authority to spend contingency funds as approved or as adjusted later during the fiscal year. At least two photocopies of the notifications must accompany each allotment of funds issued by operating agencies.

*b. Representation funds* Unless otherwise specifically authorized by the SA or designee, representation funds are spent by commanders only for official entertainment or other authorized purposes. All expenditures of funds for official representation must be specifically approved before the event by the applicable commander or designee. Such approvals must be of formal record, and, at a minimum, indicate the purpose, number of guests, and estimated cost. Payments are made on SF 1034, and certified or approved by the commander or designee. Two copies of the funding document must accompany the initial voucher submitted for payment each fiscal year. Supporting documents (invoices, event approvals, and so forth) are kept at the installation that has accountability.

#### **20-200. Cash awards to service members**

Service members are paid cash awards for suggestions, inventions, and scientific achievements. Service members are not eligible for cash awards for superior performance of assigned duties.

*a.* After an award is approved, the Executive Secretary of the Suggestion Awards Committee prepares, certifies, and submits SF 1034 to the paying office.

*b.* After the certified SF 1034 is received, review the voucher for propriety.

(1) Ensure OMA funds (or industrial funds, if applicable) of the activity to which the service member is assigned at the time the suggestion, invention, or achievement is approved are cited.

(2) Federal income tax withholding is required for all cash awards. Withhold 31 percent of the gross award for Federal income tax. Enter the Federal income tax withholding deduction in the "DIFFERENCE" block of SF 1034. The only exception to the requirement for withholding Federal income tax on cash awards is when payment is made to an enlisted service member serving in a combat zone.

(3) Make payment regardless of the branch of service of the military payee.

(4) Prepare and issue U.S. Treasury Department (TD) Form IRS W-2 (Wage and Tax statement) to show taxable income and tax withheld.

(5) Send a copy of TD Form IRS W-2 to the following address: Social Security Administration, Bureau of Data Processing, Baltimore, MD 21290.

*c.* A consolidated SF 1034 may be used when three or more awards are processed at the same time. The

executive secretary of the suggestion awards committee prepares a typewritten list (three copies) showing the name and check mailing address of each award recipient, SSN, suggestion number and amount, and the amount of Federal income tax withholding deduction. SF 1034 is submitted to the paying office prepared as follows:

(1) In the PAYEE's NAME AND ADDRESS block, insert "Suggestion awards per attached typewritten list."

(2) In the body under ARTICLES AND SERVICES, insert "Awards for suggestions approved on (date approved)."

(3) Under AMOUNT TOTAL, show the gross amount of all awards included.

(4) The remainder of SF 1034 is processed as usual.

#### **20-201. Handling charges**

Vendors may include a handling charge, service charge, or minimum billing charge on orders below a certain value. As long as these charges are included in the contract, they may be paid.

#### **20-202. Foreign currency payments**

All vouchers that are to be paid in foreign currency must show the appropriations to be charged and either the foreign currency amount to be paid or the U.S. dollar equivalent and the rate of exchange. The Office of Management and Budget (OMB) has asked that a special effort be made to ensure that contracts and other obligations are incurred in and paid for in foreign currency rather than U.S. dollars in countries where the supply of foreign currency available for the U.S. programs exceeds immediate U.S. needs (FAR, Part 25).

#### **20-203. Maternity uniform payments**

*a.* Maternity uniforms are authorized in the Unit Supply Update. Three years must have lapsed before a service member is entitled to buy a new uniform at U.S. Government expense. These uniforms are not in the supply system and must be purchased at an U.S. Army and Air Force Exchange Service (AAFES) facility.

*b.* The service member provides a doctor's statement about her pregnancy to her unit commander who prepares SF 1034. The unit commander will include the following statement on the SF 1034: "*Payment of supplemental maternity uniform allowance authorized by AR 700-84.*"

*c.* The service member takes SF 1034, with the doctor's statement attached, to the paying office and receives the cash allowance. Service member must sign all copies of SF 1034 to acknowledge receipt; one copy is given to the service member.

*d.* One copy of the paid SF 1034 is sent to the military pay branch to be processed as a miscellaneous pay document from which a continuing remark

will be printed on the service member's leave and earnings statement (LES) for 36 months.

(Signature)  
(date)

#### **20-204. Military clothing for civilians**

a. Civilians employees are sometimes required to wear the U.S. Army field/utility uniform and footwear during field exercises conducted by military members. The Unit Supply Update authorizes civilians to buy these items from an U.S. Army Military Clothing Sales Store(AMCSS) AR 670-1 authorizes insignia, obtained through normal supply channels, to be attached and worn on the field/utility uniform. Commanders may authorize OMA funds, not to exceed \$125 a year, to buy these items. Funds will cover the cost of attaching insignia to the uniforms.

b. The unit commander prepares SF 1034 (original and four copies) and a statement certifying the civilian is authorized and required to wear the uniform. The civilian required to buy the uniform takes the SF 1034 and statement to the paying office, signs all copies of SF 1034, and receives a cash allowance. One copy of-SF 1034 is given to the civilian.

#### **20-205. General Services Administration (GSA) automatic data processing (ADP) billings**

GSA has a revolving fund used to rent ADP, teleprocessing, or timesharing services. Contracts under this program are awarded at installations but GSA pays the vendor and the FAO/DAO reimburses GSA. Finance and accounting officers/defense accounting officers must ensure they do not pay the vendors under this program. In addition, finance and accounting officers/defense accounting officers are to reimburse GSA within 15 days after receiving a billing whether or not a receiving/acceptance report has been received. After a receiving/acceptance report reaches the paying office, any discrepancies from the amount paid may be adjusted on the next billing.

#### **20-206. Reimbursements for personal expenditures**

a. Service members and civilian personnel should avoid using their funds to pay U.S. Government obligations. However, they can be reimbursed if they used their own money to make a payment under urgent or unforeseen emergencies.

b. Personnel who claim reimbursement after spending their own funds must show an urgent or unforeseen reason for doing so. The claimant prepares SF 1164 (Claim for Reimbursement for Expenditure on Official Business) and puts the following statement on the voucher:

*"I certify this claim is true and correct; that there was an unforeseen and urgent reason to spend my funds; and that I have not received credit or payment."*

c. The service member's commander or supervisor must approve the voucher. Documents to show the goods or services were received and essentials must be attached to the voucher.

d. U.S. Army personnel who barter away personal valuables during escape and evasion may also be reimbursed. The commander or commander's representative must approve. The value of each item bartered must be listed and must show its age and condition at time of barter. This list is attached to the certified SF 1164 presented for payment.

#### **20-207. Official recruiting duty**

A service member assigned to perform recruiting duty is entitled to reimbursement for actual and necessary expenses paid from personal funds in performing their recruiting duties. (See JFTR, Volume 1, Chapter 7, Part C for payment procedures.)

#### **20-208. Legal or investigative expenses**

Legal or investigative agents are entitled to reimbursement for necessary expenses incurred while performing official duties. Such expenditure as police or court record reviews or transcripts, photographs, microfilm copies, parking fees, notary fees, and other miscellaneous investigative fees can be reimbursed.

#### **20-209. Professional specialty recognition of U.S. Army Medical Department personnel**

U.S. Army Medical Department personnel pay application and examination or board fees from their personal funds directly to the examining bodies. If travel is involved, the fees are reimbursed under Chapter 40 of this regulation. If travel is not involved, SF 1034 is submitted for reimbursement with the original receipt or a copy of the endorsed canceled personal check and the authorization from the proper commander.

**TABLE 20-1. CATEGORIES OF COST FOR SHIPPING AAFES CARGO**

Shipment of content	Element of cost and "bill-to" activity					
	CONUS inland transportation	CONUS port handling (loading & unloading)	Overocean and overseas/overland by AMC or MSC	Overseas port handling (loading & unloading)	Overseas inland transportation	See note number
Merchandise of U.S. origin procured for resale in overseas outlets, and AAFES operating supplies and equipment.	AAFES	DA	DA	Responsible overseas MACOM.	Responsible overseas MACOM and DA	1-6,9,10
Motion picture film intended for exhibition at installation/ activity theaters, and related equipment	AAFES	DA	DA	Responsible overseas MACOM	Responsible overseas MACOM and DA	1-6,9,10
Merchandise procured in foreign countries authorized by AR 215-1 for subsequent resale in exchange outlet	N/A	N/A	DA	Responsible overseas MACOM	Responsible overseas MACOM and DA	7,9
Foreign goods procured for resale in AAFES outlets.	AAFES	AAFES	AAFES	AAFES	AAFES	1-4
Transportation of personal property of AAFES nonappropriated fund employees to, from, and between points outside CONUS.	AAFES	AAFES	AAFES	AAFES	AAFES	1-6
Merchandise, operating supplies, and equipment shipped from CONUS to Saudi Arabia.	AAFES	DA	DA	DA	Responsible overseas organization	8



**TABLE 20-1. CATEGORIES OF COST FOR SHIPPING AAFES CARGO**Continued

Shipment of content	Element of cost and "bill-to" activity					
	CONUS inland transportation	CONUS port handling (loading & unloading)	Overocean and overseas/overland by AMC or MSC	Overseas port handling (loading & unloading)	Overseas inland transportation	See note number
Merchandise, operating supplies, and equipment shipped from Germany to Saudia Arabia.	AAFES	DA	DA	DA	Responsible overseas organization.	8

## Notes:

1. CONUS inland transportation costs are for moving cargo from point of origin to a military ocean terminal or other authorized port terminal or from a terminal to final destination. Performing activities will bill AAFES directly for such costs.
2. For CONUS port handling, see Chapter 14 of this regulation, which covers for billing procedures for stuffing of containers. MTMC activities will bill AAFES direct in those instances in which AAFES is identified above as the "bill" activity.
3. Air or vessel shipments will be accomplished by MAC or MSC on a space requirement basis. MAC or MSC will bill AAFES direct if AAFES is identified as the "bill-to" activity.
4. Billing for port handling charges of AAFES cargo processed through the DTS will be done by the responsible overseas MACOM.
5. Overseas inland transportation costs of movement of AAFES cargo by commercial transportation at U.S. Government expense or U.S. Government transportation is authorized from port of discharge to first destination.
6. See paragraph 205(i) and (j).
7. Appropriated fund support for movement of beverages from Denmark to Greenland is included.
8. CONUS port handling and overocean costs, overseas port handling, and overseas inland transportation are reimbursable by FMS organizations in Saudi Arabia MILSTAMP.
9. Bill quarterly bills assembled by AAFES under DD Form 448/442 agreements to DFASIN.
10. DA will fund overseas inland line haul performed under MSC container and shipping agreements.